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U.S. lodging INDUSTRY

Laventhol & Horwath
Certified Public Accountants

U. S. Lodging Industry

51st Annual Report on Hotel and Motor Hotel Operations

1983 Edition

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Executive Offices: 1845 Walnut Street, Philadelphia, PA 19103 - (215) 299-1600

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The U.S. Lodging Industry Today and Tomorrow

by John D. Lesure and Randell A. Smith

After nearly four consecutive years of declining monthly occupancies, the lodging industry is finally approaching an equilibrium between the demand for rooms and the availability of rooms. The industry reached the turning point this summer when the June 1983 occupancy remained virtually unchanged from June 1982. This 51st issue of *U.S. Lodging Industry* contains information about these and other current trends, a brief discussion of the state of the lodging industry in more than 50 metropolitan areas, and a review of the industry's performance during 1982 and how it compared with 1981 results.

The information on current trends, which is discussed below and in the comments from around the country, was obtained primarily through the use of our on-line database. This database is compiled from revenue, expense and operating data submitted by more than 2,000 lodging establishments each month. The results of this survey are published in L&H's monthly *National Trend of Business in the Lodging Industry*.

The comments from around the country were submitted by Laventhol & Horwath consultants from more than 30 different offices who specialize in the lodging industry in their respective markets. The in-depth review of the operating performance of the industry, which begins on page 34, was based on data obtained from nearly 600 individual lodging establishments through the cooperation of property managers and numerous key executives in the major chains. Without this continual cooperation, this analysis would be impossible.

Recent trends

As Table 1 shows, occupancies declined during 1982 in every segment of the industry that we track on a national basis. While a few of the metropolitan areas for which we publish results exhibited increases in occupancies, most noticeably Orlando and Central Florida, 19 of the 24 areas shown experienced declines. Unquestionably, properties in the South Central region of the country were hardest hit during 1982. On a national basis, the occupancy rate fell 4.6 percent in 1982 to 64.6 percent.

On a year-to-date basis, however, the occupancy rate for the first six months of 1983 was 65.4 percent, down only 1.4 percent from the same period last year. Each of the various segments of the industry experienced some improvement during the first half of 1983. The declines in occupancies moderated in some segments, while in others the occupancy percent actually increased. Properties located in the Northeastern, Southeastern and North Central regions performed better during the first half of 1983 than in the first half of 1982. This is particularly evident for properties located in the Southeastern region, where occupancies have climbed 9 percent so far this year. Most of this improvement can be attributed to the October 1982 opening of EPCOT at Walt Disney World in Orlando. Properties located in this area are experiencing occupancies near 90 percent, more than 25 percent higher than last year's performance.

The most significant exception to this generally improving trend are properties located in the South Central region. Because of increases in room supply, decreases in demand stemming from the economic slowdown in the oil industry, and the devaluation of the Mexican peso, properties located in Dallas, Houston, New Orleans and Tulsa experienced double digit declines in occupancy for the first six months of 1983. Nationally, the occupancy rate during June 1983 was 70.1, a negligible 0.1 percent below June 1982.

Room sales per occupied room, commonly referred to as the average daily rate (ADR), increased 6.7 percent in 1982 to $48.41, as shown in Table 2 (page 4). While the increases in ADR were fairly uniform during 1982, there has been considerable variation in ADR increases in 1983. Properties located in the South Central region experienced a modest decline in ADR for the first six months while highway properties and those located in the Western region reported increases in ADR of more than six percent.

Table 1
Occupancy by Selected Categories

	1982		June 1983 Year-to-Date	
	Occupancy Percent	% Change From 1981	Occupancy Percent	% Change From 1982
Total U.S.A.	64.6	4.6	65.4	1.4
Affiliation:				
Chain	65.8	4.4	66.1	1.3
Independent	60.1	4.9	62.7	0.5
Location:				
Center City	62.7	4.9	62.4	1.9
Suburban	64.4	6.5	63.5	5.4
Highway	65.4	3.7	66.3	0.3
Airport	68.3	4.2	68.8	2.4
Resort	64.9	2.4	71.0	2.7
Size:				
Under 150 Rooms	66.0	5.0	63.5	3.8
150 to 299 Rooms	63.6	4.5	65.7	1.8
300 to 600 Rooms	63.6	5.6	63.8	2.7
Over 600 Rooms	65.6	2.5	68.8	3.6
Region:				
Northeast	67.9	4.0	66.1	0.6
Southeast	64.0	2.6	75.1	9.0
North Central	60.0	4.3	58.2	0.2
South Central	65.0	7.3	61.2	12.4
West	69.3	4.0	68.4	1.4
City:				
Boston	68.1	6.1	64.3	3.3
Cleveland	50.9	5.2	51.0	0.6
Cincinnati	59.5	2.9	56.6	
Dallas	64.2	5.2	61.1	10.0
Daytona Beach	66.2	0.1	74.9	0.8
Des Moines	52.9	2.7	52.2	1.8
Detroit	63.0	6.1	64.8	0.3
Ft. Lauderdale	61.2	7.3	65.3	3.8
Houston	60.8	10.3	54.6	18.6
Indianapolis	58.6	2.7	59.6	2.9
Miami	57.2	12.1	54.5	6.4
Minneapolis	58.6	2.5	60.1	1.7
New Orleans	70.1	5.5	64.7	13.0
New York City	70.8	3.2	70.6	3.8
Orlando	69.0	5.5	88.4	25.0
Philadelphia	62.1	1.0	63.6	4.1
Pittsburgh	52.4	11.2	58.3	9.9
Portland	53.9	9.6	*	*
San Antonio	67.0	9.0	70.5	5.6
San Diego	71.7	2.3	76.1	3.3
St. Louis	57.2	1.2	58.3	2.2
Tampa Bay	59.2	3.7	70.6	0.3
Tulsa	62.4	16.8	51.9	17.9
Washington, D.C.	62.7	8.5	71.1	8.2

*Not available.
Source: *Trend of Business in the Lodging Industry*, Laventhol & Horwath.

Florida offered some of the sharpest changes in ADR so far this year. Properties in Orlando reported increases in ADR of nearly 10 percent, but in Miami the ADR declined by more than 2.1 percent.

The combination of these two key performance measures, occupancy and ADR, resulted in fairly modest increases in revenue. Nationally, total sales rose 2 percent during 1982, with room sales increasing 2.5 percent, food and beverage sales increasing 1 percent and other revenue climbing more than 4 percent. Through June 1983, total sales increased 1.8 percent over the first half of 1982. This modest increase stems from an increase in room sales of 2.5 percent and food and beverage sales of 3 percent. At first glance, it appears that these increases in revenue were due entirely to higher prices. What is not shown is the substantial change in double occupancy. While the total number of rooms occupied has declined in relation to rooms available so far this year, the number of guests per occupied room has increased 5.7 percent, enabling operators to achieve higher revenue for each room occupied. Apparently, both business and pleasure travelers are doubling up to help reduce the overall cost of traveling.

Table 2
Rooms Sales per Occupied Room
by Selected Categories

	1982		June 1983 Year-to-Date	
	Room Sales Per Occupied Room	% Change From 1981	Room Sales Per Occupied Room	% Change From 1982
Total U.S.A.	$48.41	6.7	$51.27	3.3
Affiliation:				
Chain	$42.34	6.5	$49.94	3.2
Independent	52.90	8.0	56.81	3.3
Location:				
Center City	$62.67	6.3	$63.13	2.7
Suburban	42.78	6.7	45.22	1.0
Highway	31.86	8.1	36.15	6.7
Airport	45.65	6.1	47.67	1.6
Resort	59.61	7.3	64.98	5.4
Size:				
Under 150 Rooms	$31.99	8.5	$35.18	5.1
150 to 299 Rooms	44.64	5.8	45.77	2.3
300 to 600 Rooms	56.56	6.3	59.20	1.7
Over 600 Rooms	72.07	5.8	71.83	2.2
Region:				
Northeast	$68.31	7.5	$68.95	4.8
Southeast	50.35	5.3	53.41	3.0
North Central	35.05	6.0	39.81	3.1
South Central	47.02	6.7	47.46	0.6
West	46.00	8.1	49.87	6.4
City:				
Boston	$63.08	8.9	$73.04	2.1
Cleveland	41.40	2.6	41.91	0.3
Cincinnati	41.45	6.7	42.60	5.2
Dallas	48.00	8.3	47.81	1.7
Daytona Beach	39.96	7.1	42.22	6.3
Des Moines	36.59	4.7	34.60	0.6
Detroit	43.64	5.4	44.89	1.2
Ft. Lauderdale	69.40	13.2	79.59	4.1
Houston	49.39	6.5	49.63	3.9
Indianapolis	40.02	6.7	43.12	1.6
Miami	82.22	0.1	63.36	21.1
Minneapolis	47.10	5.0	46.98	1.1
New Orleans	61.16	7.0	65.82	2.8
New York City	82.82	6.7	82.18	4.8
Orlando	39.02	4.8	44.27	9.8
Philadelphia	52.62	7.2	55.37	6.4
Pittsburgh	48.50	11.4	43.21	4.5
Portland	36.02	6.4	*	*
San Antonio	42.94	5.5	45.58	3.4
San Diego	55.47	10.8	57.74	6.7
St. Louis	42.53	3.5	45.18	3.0
Tampa Bay	40.17	7.9	46.18	6.7
Tulsa	45.55	10.6	45.73	5.2
Washington, D.C.	62.27	4.1	63.16	0.4

*Not available.
Source: *Trend of Business in the Lodging Industry*, Laventhol & Horwath

1982 in review

In last year's study, we commented briefly on the "price of rate cutting," illustrating the increases in occupancies required to offset a reduction in room rates. That analysis was based on a simple linear regression model whereby the number of rooms occupied was related to monthly operating expenses to establish a break-even point in terms of occupancy percent.

In the past, we have attempted this analysis using the number of rooms occupied as the best predictor of operating expenses because of its measure of quantity. This year we introduced an objective measure of quality. Our first reaction was to use the room rate as a proxy for the quality of service based on the obvious assumption that as the room rate increased, the quality of service increased. The problem with this measure, however, was that we were focusing entirely on the rooms department and not adequately considering the other revenue-generating departments. To compensate for this shortcom-

ing, we divided total revenue in each of the lodging establishments in our sample by the number of rooms occupied to derive total sales per occupied room. This time, using multiple regression analysis with the number of rooms occupied and total sales per occupied room as the independent variables and total expenses as the dependent variable, we were able to explain more than 90 percent of the variability in expenses. The results of this analysis, at three different size levels, are shown in Charts 1 to 6 (pages 6–7).

The basic procedure for devising these charts was fairly simple. Three different samples were selected from both 1982 and 1981 respondents to our survey. The first sample had between 145 and 155 rooms, the second had between 290 and 310 rooms and the third had between 570 and 630 rooms. The basic characteristics of these three samples are shown below.

By analyzing the relationship between the number of rooms occupied and total sales per occupied room with total expenses, we were able to develop break-even equations for each of the samples. The following is an illustration of the steps we took to derive the results for the mid-size sample from the 1982 respondents.

The multiple regression analysis yielded the following equation (the numbers in parentheses are provided for those readers interested in the statistical validity of the analysis):

$$Y = 3{,}754{,}643 + 79{,}889X_1 + 42.6X_2$$

(868,524) (3,870) (20.65)

$T = (+4.32)$ (20.65) (3.74)

$df = 16$ $R^2 = 96.8$ percent

Where:

Y = Total Expenses

X_1 = Total Sales Per Occupied Room

X_2 = Number of Rooms Occupied

As you can see, variation in the two independent variables accounts for nearly 97 percent of the variation in total expenses. By altering this equation slightly, we can restate the results in terms of break-even occupancy. At break-even, sales and expenses are equal. In addition, total sales can be derived by multiplying total sales per occupied room (X_1) by the number of rooms occupied (X_2).

Therefore, we can restate the equation as follows:

$$X_1X_2 = 3{,}754{,}643 + 79{,}889X_1 + 42.6X_2$$

$$(\$88.65)X_2 = 3{,}754{,}643 + 79{,}889(\$88.65) + \$42.6X_2$$

$$\$88.65X_2 = \$3{,}327{,}517 + \$42.60X_2$$

$$\$46.05X_2 = \$3{,}327{,}517$$

$$X_2 = 72{,}259$$

Given the average size of the properties in this sample, at 298 rooms or 108,770 room nights available during the year, this works out to a 66.4 percent break-even occupancy (72,259/108,770). Fixed costs amounted to $3,327,517 or $11.165 per available room. Variable costs were $42.60 per occupied room, which provides a contribution margin of $46.05 per occupied room ($88.65 - $42.60). The break-even equations for each of the different groups are:

	Size 1	
1982	$57.96X_1 = $1,180,194 + $22.10X_2$	
1981	$55.12X_1 = $801,000 + $32.30X_2$	
	Size 2	
1982	$88.65X_2 = $3,327,517 + $42.60X_2$	
1981	$94.43X_2 = $3,341,343 + $49.50X_2$	
	Size 3	
1982	$114.22X_2 = $6,643,284 + $64.80X_2$	
1981	$113.19X_2 = $5,900,190 + $71.69X_2$	

	SIZE 1		SIZE 2		SIZE 3	
	1982	1981	1982	1981	1982	1981
Average Size (No. of Rooms)	150	150	298	299	593	604
Occupancy	67.6%	67.7%	67.0%	66.0%	67.7%	66.8%
Room Sales Per Occupied Room	$36.95	$35.45	$52.99	$47.79	$66.58	$59.27
Total Sales Per Occupied Room	$57.96	$55.12	$88.65	$94.43	$114.22	$113.19
Average Revenue	$2,152,579	$2,065,467	$6,607,863	$6,655,025	$16,643,358	$16,913,156

For a complete overview of these relationships, see Charts 1 to 6. The results of this analysis verified a trend that we were aware of but were unable to document. Basically, as occupancy rates declined, the managements of these properties succeeded in reducing the break-even occupancy percentage by reducing the variable cost associated with each room occupied. The Size 1 group reduced variable costs by nearly a third, the Size 2 group reduced variable costs 13.9 percent, and the Size 3 group reduced these costs 9.6 percent. Fixed costs increased for the Size 1 and Size 3 groups, probably by shifting some of the variable costs to fixed costs. The net effect of these changes has been to provide management with more leverage as the turnaround begins. By reducing the costs associated with providing a room, management will be able to improve profit margins as occupancies begin to climb.

Chart 1
1981 Break-Even Analysis
Approximate Size: 150 Rooms

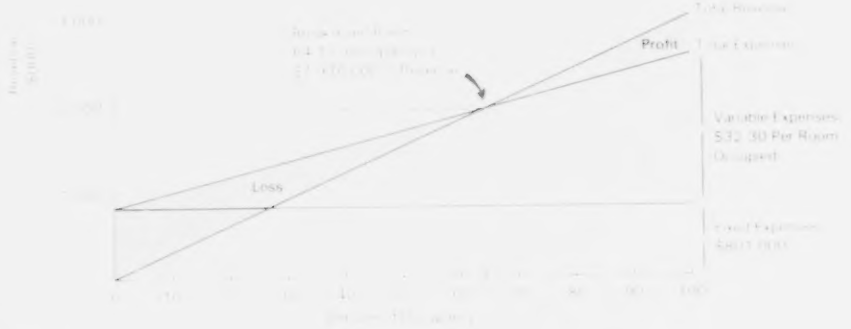


Chart 2
1981 Break-Even Analysis
Approximate Size: 300 Rooms

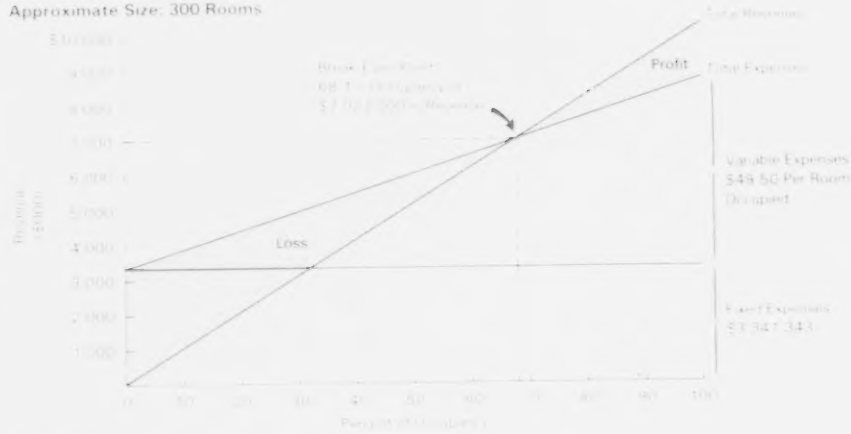


Chart 3
1981 Break-Even Analysis
Approximate Size: 600 Rooms

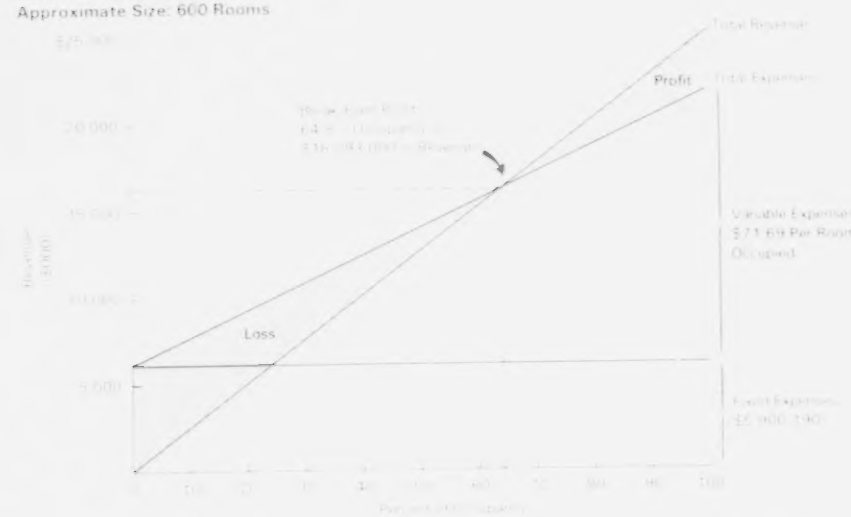


Chart 4
1982 Break Even Analysis
Approximate Size: 150 Rooms

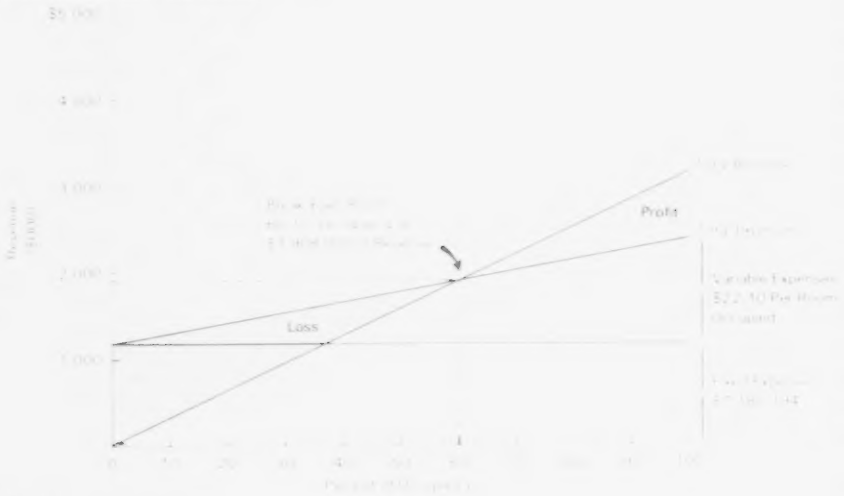


Chart 5
1982 Break Even Analysis
Approximate Size: 300 Rooms

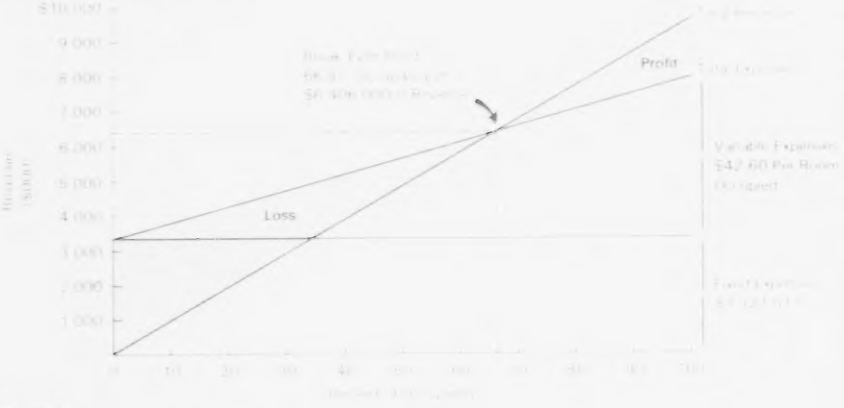
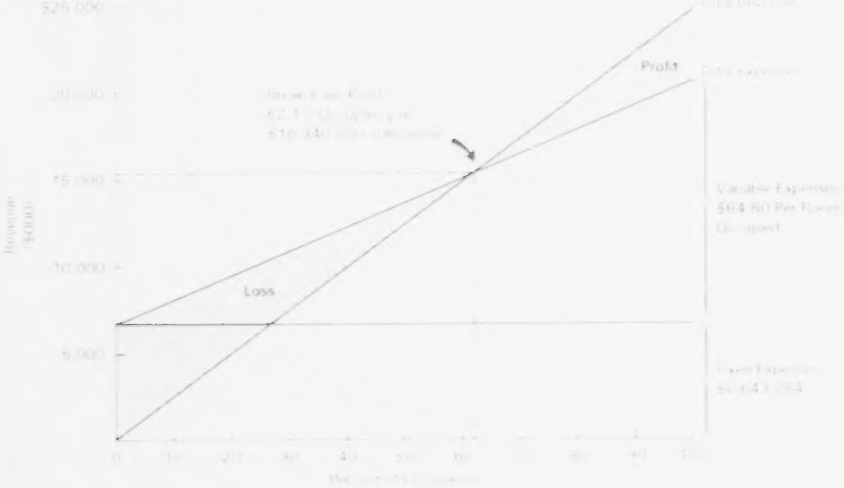


Chart 6
1982 Break Even Analysis
Approximate Size: 600 Rooms



Summary

We expect room occupancy to stabilize at a level near last year's for the remainder of 1983. It is becoming increasingly doubtful that the industry will be able to boost occupancy for 1983 much more than 1 percent above 1982. As long as the economic recovery stays on the present course, it could be well into 1984 before hotel operators around the country begin to notice a real resurgence in travel. Room rates should continue to increase at about the same rate as the overall consumer price index.

Overall, it appears that the lodging industry has responded well to the prolonged recession and is well positioned to capitalize on increased demand. Profit margins should improve during 1983 and on into 1984. With several major events occurring during 1984, such as the Olympics in Los Angeles, the World's Fair in New Orleans and the general election in the fall, next year should be a year of real growth for the industry.

Comments From Around the Country

From Anchorage

The lodging industry in Anchorage continued to be strong during 1982. While the supply of hotels changed very little from previous years, demand grew, raising area-wide occupancies to the high 70 percent range. Average rates still appear to be lagging behind those of other major areas in the West, but historical rate discounting is becoming less prevalent as occupancy levels rise.

Alaska has shown that it can attract tourists, even during poor economic times. Increased tourism is a major reason for high occupancy levels in Anchorage. The depressed economy in the "lower-48" has not dampened the optimism for additional growth in tourism through the 1980s.

Construction activity had a major impact on Anchorage during 1982 as building progressed on such major public projects as the new sports arena, a $20 million convention center and a performing and visual arts center. Nearly 1.2 million square feet of new "Class A" office space opened or will become available in 1982 and 1983.

Growth in Anchorage, headquarters for Alaska's oil and gas production and exploration activity, is closely tied to state revenue generated from that activity. The current uncertainty of the world oil market is expected to cause some leveling of growth in Anchorage as the state's oil revenue falls short of projections prepared at the beginning of the decade.

The current growth and strength of Anchorage's economy have attracted increased interest from groups proposing lodging developments. During 1983, we anticipate expansion of existing facilities or the introduction of one or more new hotel properties. The area-wide operating levels of the lodging industry in Anchorage suggest that, if current trends continue, the area is capable of supporting additional hotel rooms.

Maxwell Campbell
Andrew Olsen
Anchorage

From Atlanta

As a result of moderate growth in lodging demand throughout the Atlanta area during 1982, combined with a 4.6 percent increase in the room supply, city-wide occupancy performance remained stable compared with 1981. Conversely, average room rates increased about 12 percent, slightly less than in 1981.

Utilization levels within the different sectors of the city varied considerably in 1982. Occupancy declined slightly in the central business district and the airport area, while facilities in the northern suburbs reported a two-point increase in occupancy. The lower occupancies were attributable primarily to supply increases, a recession-induced softening in the convention market and lower airline activity levels. Growth in demand in the outlying areas resulted largely from the increased development and absorption of office space.

New hotel construction and development activity continues throughout the metropolitan area. In the airport sector, a 509-room Ramada Renaissance Hotel opened in fall 1982, and a 250-room Days Inn opened during summer 1983. Proposed projects include a 400-room Stouffer's Hotel to be built in conjunction with a 40,000-square-foot convention center funded by the City of College Park, and a 70-suite Lagniappe Inn.

A 260-room Days Inn, which opened in October 1982 adjacent to the Atlanta Apparel Mart, and a 350-room addition to the Hyatt Regency represent the latest additions to room supply in the downtown area. Currently under construction downtown are the 471-room Palace Hotel being developed by W. B. Johnson Properties, the 1,674-room Marriott Marquis Hotel being developed jointly by Portman Properties and Marriott, and an expansion to the Georgia World Congress Center that effectively will double its size upon completion in August 1984. A 260-room budget-oriented property, the Hotel Ibis, has been proposed for development near the Peachtree Plaza.

There has been significant hotel development activity in the northern suburbs near Interstate 285, the bypass route around the city. The 531-room Waverly Hotel in northwestern Atlanta, developed by Trammell Crow and operated by Stouffer, opened in April 1983. The Waverly, which has extensive meeting rooms and public space, is among the highest quality hotels in Atlanta. It is the central component of the Galleria complex, which also includes office and specialty retail space and several food and beverage operations. A 250-suite Granada Royale Hometel has been proposed for development near the Galleria. A 120-room Red Roof Inn opened in early 1983 and a 128-room Courtyard Inn, a product prototype for Marriott, is scheduled to open in 1984. A 150-room Clocktower Inn, a midmarket property that features such amenities as free breakfast and a wine and cheese hour as well as several theme-oriented guest rooms, also has been proposed for development in this sector.

Two properties currently under construction in the north central sector include another 128-room Courtyard Inn at the Northside Hospital complex and a 120-room, suite-oriented property being developed by Brock Residence Inns near the Perimeter Center Mall on Savoy Road.

Most notable among the projects proposed for the Georgia 400 corridor of north central Atlanta are a 500-room property contemplated by Gerald Hines Interests and a 600-room project under consideration by Portman-Barry Investments. Both are anticipated to be upscale facilities oriented toward the corporate and small-group meeting markets. Other proposed projects in this sector include a 150-room Rodeway Inn, a 150-room Sheraton and a first-class Holiday Inn.

The legalization of liquor-by-the-drink in Gwinnett County, combined with significant levels of commercial, retail and residential development, has stimulated hotel development in northeastern Atlanta. Four properties

with a total of 648 rooms have been proposed, including a 120-room La Quinta Motor Inn, a 128-room Marriott Courtyard and a 200-room Holiday Inn.

The Buckhead/Lenox Square area continues to be a hub of office, retail and hotel development activity. A 581-room Monarch Hotel is scheduled to open in October 1983, and three other proposed projects have a high probability of development: a 270-room luxury-oriented Sheraton for a site along Peachtree Road next to Lenox Square; a 400-room property at the mall itself; and a 300-room, all-suite hotel to be located above the MARTA rapid rail terminal servicing the Lenox Square area.

In total, more than 5,200 guest rooms have opened during the past year or are under construction, with another 3,900 rooms planned. While room supply will continue to increase significantly, area operators are optimistic about the future. The convention trade downtown should increase considerably with the expansion of the Georgia World Congress Center and the construction of the new Marriott Marquis. Growth in the outlying areas is expected to maintain its historically rapid pace with the ongoing development of the commercial and retail sectors.

William G. Moecker
R. Mark Woodworth
Atlanta

From Atlantic City

Since 1976, when New Jersey voters passed a constitutional amendment that legalized casino gaming within the boundaries of Atlantic City, the city and its casino hotel operations have reported record-setting statistics. From October 1981 through September 1982, average occupancy for the city's 4,800 first-class casino hotel rooms was 75 percent despite the addition of the 521-room Tropicana in November. The overall average room rate was $80. City-wide casino revenue totaled almost $1.5 billion in 1982.

Atlantic City has begun a second phase of hotel development to attract patrons during the off-peak season. An expansion of the room supply is expected to reduce seasonal fluctuations by attracting more conventions and group meetings.

Projects planned or underway in Atlantic City include:

- Harrah's Boardwalk Hotel/Casino at Trump Plaza, which is about two-thirds complete. This project should increase city-wide casino square footage by 60,000 square feet and add 614 guest rooms to the current inventory.
- The Hilton project in the marina area, completion of which is planned for spring 1985. The first phase of the $130 million project will include 633 guest rooms and a 46,500-square-foot casino.
- A $250 million, 800-room casino-hotel to be built by Golden Nugget on a 14.5-acre site adjacent to the Hilton project. Construction is expected to begin this year and to be completed by fall 1985.
- Resorts International's planned development of part of the Uptown Renewal property adjacent to its existing casino hotel. Current plans include 1,000 guest rooms, a 50,000-square-foot casino and extensive meeting and exhibition space.
- Projects proposed by Caesars Resorts, Camelot (Sun City, Ltd. and American Leisure Corporation) and improvements or expansions to Playboy, Bally and the Tropicana.

Directly related to the development of a critical mass of available hotel rooms and function space is the need for a first-class convention facility to serve conventions, exhibitions and various other functions. The existing City Convention Hall is in need of extensive renovation and/or expansion to enable Atlantic City to compete effectively with other cities for major conventions and group meetings. Plans for renovation and expansion of the existing facility as well as for a new convention center have been proposed.

Realization of its plans for a substantial increase in room supply and improved convention facilities will enhance Atlantic City's attractiveness to the convention and group meeting market. It also should have a positive impact in terms of supporting occupancy levels and generating gaming traffic during the off-peak season.

Michael French
Peter R. Tyson
Philadelphia

From Baltimore

The ongoing revitalization of Baltimore's Inner Harbor has continued to stimulate lodging development throughout the metropolitan area. The success of the Rouse Company's Harborplace Pavilions, the popular National Aquarium and the Baltimore Convention Center (expansion of which is being analyzed) is drawing a larger and more diverse range of visitors to downtown Baltimore. The result has been a greater product distinction among the city's new and proposed hotels.

Guest-night demand in the downtown area rose nearly 70 percent during the past three years, while rates increased approximately 65 percent to an estimated 1982 average of $58. Overall occupancy in 1982 was about 64 percent. The most significant event in the growth of the room supply was the opening of the 500-room Hyatt Regency Hotel overlooking the Inner Harbor. In 1982, the new property completed one of the most successful first years of operation ever experienced among Hyatt properties. Although plans are uncertain at this time, the hotel does have the potential to expand at a later date.

Other additions to the downtown room supply include the 90-suite Brookshire Hotel, a conversion of an existing building, scheduled to open in late 1983. A 200-room Econo Lodge currently under construction is projected to open in early 1984. Also expected to be under construction during 1983 are a 110-room luxury hotel at Mount Vernon Square, a 302-room Howard Johnson's Hotel and a 245-room Days Inn. Proposed for future development are a 350-room Stouffer's Hotel and a 350-room Westin Hotel, to be located in the heart of the Inner Harbor.

The downtown revitalization has had a positive influence on development in the suburbs, particularly near Towson and around the expanding Baltimore-Washington International Airport. A 250-room Holiday Inn recently opened in Towson, and construction of a 300-room, first-class property near the airport is scheduled to begin in early 1984.

In view of the continued revitalization downtown, development of commercial office space throughout

the area, potential expansion of the Convention Center, and increasing popularity of the Inner Harbor tourist attractions. Future operating performance for Baltimore area hotels is expected to be strong. Area occupancies and average rates both are expected to show continued improvement through 1983.

James C. Fisher
Washington, D.C.

From Boston

As in many other major U.S. cities, occupancy in the Boston lodging industry declined during 1982. The national recession and a significant increase in the area room supply contributed to the 5.9-percent decline in occupancy to 70.4 percent. Additions to Boston's room supply in 1982 included the 400-room Marriott Long Wharf Hotel early in the year, the 155-room Bostonian Hotel in September, and the 372-room Back Bay Hilton Hotel in October.

Despite the decline in occupancy, the Boston lodging industry appears to be relatively strong compared with the industry nationwide. According to Laventhol & Horwath's "National Trend of Business in the Lodging Industry," occupancy in the U.S. was 63.6 percent in 1982, 6.7 percentage points below Boston's occupancy level.

Developers continue to be optimistic. In addition to the 927 rooms added to the area supply in 1982, 2,724 more hotel rooms are under construction. Total room supply will exceed 10,000 hotel rooms in downtown Boston by 1985.

Hotel projects currently under construction include:

- The 275-room Four Seasons Hotel at Park Plaza, expected to open in fall 1984.
- Copley Place, which will include the 804-room Westin Hotel and the 1,139-room Marriott Hotel, expected to open in fall 1985 and spring 1984, respectively.
- The 505-room Inter-Continental Hotel at Lafayette Place, scheduled to open in spring 1984.

With the rapid growth in room supply, the lodging community is becoming increasingly concerned about delays in the planned expansion of the John B. Hynes Auditorium from 150,000 to 300,000 square feet. As of first quarter 1983, convention bookings were down 2.5 percent compared with 1982. Boston is losing convention business to cities with superior convention facilities and higher promotion budgets. The Massachusetts Convention Center Authority is expected to announce a firm schedule for the expansion in the near future.

Hotel development is booming in suburban areas. The growth of high technology industry along the Route 128 and Interstate 495 corridors has generated considerable interest in hotel development in towns along these highways. Recent additions to the suburban room supply include the 286-room Stouffer's Bedford Glen Hotel, a 200-room expansion at the Sheraton Tara in Braintree, the 109-room Red Roof Inn in Southborough, the 170-room Red Roof Inn in Framingham, and the 124-room Knala Inn in Andover. Currently under construction are the 420-room Marriott Hotel in Burlington and the 135-room Quality Heritage Inn in Chelmsford, both scheduled for completion in summer 1983.

Statewide, the lodging industry experienced a 6.1-percent decline in occupancy from 72.5 percent in 1981 to 68.1 percent in 1982. The combined average room rates in 1982 were $63.08 for Massachusetts hotels and $71.81 for Boston hotels, increases of 8.9 and 8.7 percent, respectively, compared with 1981. These increases are significantly lower than the average annual increase of 19 percent recorded between 1977 and 1981. The decline can be attributed to the decrease in the national rate of inflation, coupled with the increase in Boston's room supply.

In summary, the Boston hotel industry is in a period of transition. Although market occupancy in the metropolitan area probably will decrease through 1985 as a result of the significant supply increase, the development of new hotels in conjunction with the expansion of the Hynes Auditorium should significantly improve Boston's competitive position within the national lodging industry in future years.

Peter Keen
Cheryl Bagwill
Boston

From Charleston

Charleston area lodging properties registered an aggregate occupancy in the mid-60-percent range in 1982, with the addition of several new hotels contributing to a decrease from 1981 occupancy levels. Substantial military and government employment contribute to the economic stability of Charleston and North Charleston, and industrial development continues to show steady growth. The most dramatic growth sector in recent years has been the tourism industry. The Charleston area represents South Carolina's second largest tourist market. Annual visitor volume grew at a compounded annual rate of about 12 percent between 1972 and 1980, with total annual visitor volume in recent years topping 2.5 million.

The city's popularity as a tourist destination is due primarily to downtown Charleston's Historic District with its 18th and 19th century architecture. Other major tourist attractions include the international Spoleto Festival USA, historic forts and monuments, world-famous gardens and several prestigious golf and beach resorts. The area's coastal location and moderate climate also contribute to its popularity. Tourist-related expenditures have had a tremendous impact on the area economy, totaling approximately $360 million in 1980 and increasing at a compounded annual rate of 25.6 percent since 1972.

The lodging industry continues to register substantial growth in both the Charleston and North Charleston areas. Within Charleston, a 351-room high-rise Howard Johnson's opened near the Historic District in 1982. The 50-year-old 254-room Francis Marion reopened in January 1983 as a Ramada Hotel after extensive renovation. The trend toward developing small, European-style luxury inns continues. The Meeting Street and Lodge Alley Inns opened in 1982, and three more inns are under construction in the Historic District. In 1983, Charleston will offer a total of 476 rooms among 14 inns ranging in size from 2 to 72 rooms and projected to achieve average room rates in the $50 to $75 range. The Charleston Center project may finally become a reality with the recent

approval of a $14 million Urban Development Action Grant. The $60 million mixed-use development reportedly will include 70,000 square feet of retail space, a 450-room upscale hotel with extensive meeting facilities, some office space and parking facilities. American City Corporation, a subsidiary of the Rouse Company, is conducting a market study to evaluate the potential for developing a waterfront market area in Charleston similar to projects the company has completed in other cities.

The North Charleston lodging industry caters predominantly to the commercial demand generated by the area's military installations and expanding industrial complexes. Between 1975 and 1981, total capital investment in manufacturing increased 277 percent, with the North Charleston area experiencing the largest increase in the state in terms of total new investments.

The Charleston area's largest lodging facility, the 400-room Charleston Marriott, opened in July 1983. The hotel offers a 6,300 square-foot ballroom in addition to the amenities typically found in a Marriott hotel.

Continued growth in lodging supply and demand is expected to occur in both Charleston and North Charleston, with a healthy tourist market, an expanding manufacturing base and an as yet undeveloped convention market contributing to the area's growing economy.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Charlotte

Lodging development continued at a strong pace throughout all sectors of Charlotte during 1982, despite recessionary pressures. Primary catalysts for development are increased air traffic at the recently expanded Charlotte Douglas International Airport, the opening of the Billy Graham Parkway connecting Interstate 77 to the Airport and Interstate 85, and continued emergence of Charlotte as a regional commercial hub and convention destination.

The central business district, containing seven lodging properties with a total of 1,953 guest rooms, achieved an aggregate occupancy in the low 70 percent range during 1982. Construction has begun on a 430-room company-owned Marriott Hotel in Independence Center, a major mixed-use development, and a 250-room expansion to the Sheraton Center Hotel. These facilities, in conjunction with the Civic Center and the Radisson Plaza Hotel, constitute the core of Charlotte's downtown convention facilities.

The Interstate 77 South Park area currently contains six properties with a total of 1,248 guest rooms. Occupancy in this sector dropped slightly in 1982 but remains in the mid-70 percent range. Development of office, industrial and retail space, curtailed during most of 1982, showed renewed vigor in the latter part of the year. Lodging developments include a 400-room Marriott franchise property and a 120-room Crocket Inn currently under construction, a 250-suite Granada Royale Hometel, a 130-suite Guest Quarters, a 200-room hotel in the South Park office retail center and a Comfort Inn currently in various stages of preconstruction development.

The airport and Interstate 85 north areas also have experienced considerable lodging development and speculation. Two Red Roof Inns (109 and 115 rooms) were developed along Interstate 85. American Motor Inns has proposed a 230-room hotel to be located at the intersection of Billy Graham Parkway and Interstate 85. The Carley Capital Group is planning to develop a 330-room hotel in the University Park complex north of Charlotte.

The current economic recovery, marketing efforts by the Charlotte-Mecklenburg Convention and Visitors Bureau, and the infrastructure improvements to the airport and highway system should further stimulate growth throughout the Charlotte-area lodging industry.

William J. Spears
Charlotte
R. Mark Woodworth
Atlanta

From Chicago

In 1982, the Chicago lodging industry was characterized by increased competition among properties for available demand and by continued market stratification. High interest rates and difficulty in obtaining mortgage financing limited new development.

Area market occupancy declined only slightly to 61.2 percent from 62.1 percent in 1981 despite the recession, which had a considerable impact on the Midwestern economy. The decline in occupancies was felt more in the suburban areas. The properties surrounding O'Hare Airport reported a decline in occupancy from 65.6 percent in 1981 to 60.4 percent in 1982. At the remaining suburban properties, occupancy declined from 64.8 percent to 60.2 percent. Despite economic problems, downtown properties were able to increase market occupancy 1.5 points over 1981.

The increased competition among properties was reflected in an overall average rate increase of only 4.4 percent from 1981 to 1982, compared with about 10 percent from 1980 to 1981. Rate competition was strongest among downtown properties, where average rates increased only 3.7 percent.

Although no new properties are under construction in the downtown area, several existing hotels, including the Drake and the Palmer House, continued their programs of renovation and remodeling. The larger properties continued to focus their marketing efforts on maintaining significant levels of group business as well as attracting more commercial travelers. The carriage-trade hotels, which have become an important segment of the industry downtown, continue to absorb the large number of new rooms added in recent years. The only property entering this segment during 1982 was the 120-suite Hotel Barclay.

The on-again, off-again North Loop Redevelopment Project appears to be on again, but with significant changes from what was proposed previously. Plans for an 1,800-room Hilton Hotel have been dropped and replaced with a mixed-use development featuring a 650-room Americana Hotel and an 880,000-square-foot office building. Construction of this development, a joint venture of Chicago-based Urba Real Estate Corporation and Americana Hotel Corporation, is expected

to begin by the end of 1983. Components of the North Loop project already under construction include the State of Illinois building and the North Loop Transportation Center. The latter will offer more than 500,000 square feet of office space, as well as easy access to O'Hare Airport via an extension of the Chicago rapid transit system. A downtown atrium mall, similar to Water Tower Place, is under consideration for another parcel of land within the redevelopment area.

Plans are being made to expand McCormick Place, already the largest convention center in the country. An additional 620,000 square feet of exhibit space will be added to ensure that Chicago remains the convention capital of the country.

Another major development is the World's Fair scheduled for 1992. In addition to the large number of guest-nights the fair is expected to generate, the lodging industry will benefit from the preparation and construction of the fair site. That work is expected to begin in 1985. The proposed site, located south of the Loop and encompassing both Meigs Field and extensive landfill, is expected to help stimulate South Loop lodging properties.

Despite its decline in occupancy last year, the O'Hare lodging sector appears to be one of the strongest in the area. Both the Hyatt Regency O'Hare and the Chicago Marriott O'Hare recently completed major renovation efforts. In addition, the former Sheraton O'Hare has been purchased by Sheraton Corporation, which renamed it the Sheraton International and initiated a multimillion dollar renovation program. Recent completion of a rapid transit extension linking the airport and the Loop will make the downtown area more convenient and increase the possibilities for company relocation. Two new hotel developments are of note in the airport area. The 530-room Westin, the company's first airport property, is expected to open early in 1984 and will feature 29,500 square feet of meeting space. Construction of a 500-room Amfac Hotel, that company's first in the Chicago area, is expected to begin during 1983.

The opening of a 400-room Marriott in conjunction with the opening during the last two years of the 420-room Hamilton (managed by Stouffer) in Itasca and the 489-room Hyatt Regency Woodfield in Schaumburg has resulted in a potentially overbuilt market in that area. Although the Schaumburg area is one of the fastest-growing in metropolitan Chicago, it will take time to absorb such a large influx of new hotel rooms. Currently under construction in Schaumburg are a 208-room Granada Royale Hometel (the first in the Chicago area), to be built within the Walden planned-unit development, and a 127-room Drury Inn.

The western suburban lodging sector continues to grow as more companies expand and relocate to the Naperville and Oak Brook areas, which offer excellent highway transportation and land availability. The lodging industry here appears to be stabilizing following the opening of several new properties within the past two years. The only construction currently underway is a new Red Roof Inn in Lisle.

Despite the Midwest's economic problems, the lodging industry in the Chicago area is viable and offers increased opportunities for the future.

Richard Conti
J. Richard Rosenberg
Chicago

From Cincinnati

The 1982 annual occupancy for Cincinnati was approximately 66 percent, a two percentage point increase from 1981. In addition, room sales per occupied room increased 6.7 percent to approximately $41.50.

New developments in 1982 included the construction of a 500-room Hyatt Regency in downtown Cincinnati, expected to open in late 1984 or early 1985. In addition, the old Netherland Hilton is renovation neared completion, and it will reopen in 1984 as a Dunfey Hotel. Once these two projects are completed, development should slow down as many areas of the city are either overbuilt or quickly approaching that stage. Several economy lodging properties have been developed in the greater Cincinnati area. However, many of the major regional chains have not been as active as in other cities, indicating a softening in the Cincinnati lodging market.

The Cincinnati market is expected to continue to absorb new developments slowly and, therefore, occupancy will remain soft. The area lodging industry also will continue to feel the effects of the recession, particularly the effects on travelers as Cincinnati is a major regional tourist attraction.

Thomas A. Feiderman
Michael A. Sturges
Cleveland

From Cleveland

Cleveland area properties ended 1982 with an annual occupancy of 53 percent, the lowest of the major lodging markets in Ohio. Room sales per occupied room were approximately $41.50, an increase of one dollar.

Cleveland continued to feel the effects of the recession. The unemployment rate in Cuyahoga County increased two percentage points compared with 1981. The economy is expected to recover very slowly, and no major upturn is expected in the near future as long as the auto and steel industries continue to suffer. However, once the national economy begins to improve, Cleveland's economy, and its lodging industry, should return to pre-1980 levels of production and occupancy.

As for lodging industry development, only economy-oriented properties were added in 1982. The problems of the lack of hotel rooms relative to the amount of convention space still plagues the central business district. However, two major developers are working on details for downtown hotels, one at the convention center and a luxury hotel to be located at the Terminal Tower. In addition, a $13 million renovation of the convention center is planned to help increase its competitive position.

Though Cleveland has been hurt by the recession, the city remains strong and is overcoming its poor reputation of the past. Lodging development will occur at a slow pace in years to come, depending on the economy, and will continue to be concentrated in the suburban areas.

Thomas A. Feiderman
Michael J. Sturges
Cleveland

From Colorado Mountain Resorts

Condominiums and condominium hotels continued to represent the majority of lodging development activity in Colorado's mountain resorts. During the 1982-83 ski season, Colorado resorts broke the eight million mark in skier visits for the first time (8,200,422 visits). This represented a 7.6 percent increase over 1981-82, which had been the second busiest ski season. The growth can be attributed to an increase in local skier visits as well as out-of-state skier visits. Colorado Ski Country USA reported that the skier visit total would have been higher had it not been for the unusual Christmas Eve blizzard that hit Denver and paralyzed the city for several days. Many holiday travelers were forced to cancel their trips during what is normally the most popular two-week period for out-of-state skiers. Occupancies and average rates in general increased over 1981-82 levels.

As growth continues, many resort areas have expanded or are expanding their ski mountains in addition to their bed bases. Crested Butte, Breckenridge, Snowmass, Beaver Creek, Winter Park and Copper Mountain are among the resorts that constructed additional chair lifts or opened new ski trails. The resorts that experienced the best year were those that developed innovative marketing tactics during the ski season, such as special arrangements with airlines and special lift ticket pricing strategies.

While 1982 was an off-year for condominium sales, largely because of high interest rates associated with the recession, the trend is reversing during 1983. The reduced sales prices of many units combined with lower interest rates are reducing the relatively high inventories at most ski areas. Of particular note is the fact that the type of condominium unit that is selling has changed from what was popular several years ago. This demonstrates a definite change in buyers' expectations and price threshold.

Condominiums continue to be the most popular type of lodging facility at Colorado's mountain resorts. Condominium hotels, which involve selling hotel rooms as condominiums, are being used to beat the high cost of financing resort hotels. The Snowmass Club in Snowmass, Marriott's Mark Resort in Vail, Beaver Run in Breckenridge and the Sheraton at Steamboat in Steamboat Springs are just a few of the condominium hotel projects that have entered the market successfully. Other projects of this type are under construction or planned in Aspen, Beaver Creek, Winter Park, Crested Butte, Keystone and Aspen Highlands.

The resort areas have become more competitive. Recognizing that the competition is increasing for skiers, summer tourists and meeting/conference business, resorts have continued to develop nonwinter amenities to increase their appeal as year-round destination resorts. Many areas have developed or are developing conference centers or condominium-hotels with extensive meeting and conference facilities to increase use of their facilities during the off-season. Those areas without adequate meeting/conference facilities will have to develop and market them successfully just to maintain their market position.

The outlook for the near future continues to be good. Many new condominium and condominium-hotel projects are in the various stages of planning and development. As most of the state's resorts will soon offer year-round facilities and amenities, marketing and customer service will play a more important role in attracting and keeping lodging guests.

David T. Johnstone
Denver

From Columbus

The Columbus lodging industry maintained its status as the leader of the three major Ohio markets (Columbus, Cleveland and Cincinnati) even though occupancy fell two percentage points to 64 percent in 1982. The city's appeal to lodging developers has increased as a result of the expansion of the available convention space at Veteran's Memorial Auditorium.

Expansion outside of the downtown area has been predominantly economy oriented, with the introduction of a Skylight Inn and a new emerging chain called Cross Country Inn. In addition, several of the full-service suburban properties have undergone extensive renovations and in some cases are discounting room rates to be more competitive.

While no new properties were added to the central business district, a second Hyatt Hotel is under construction and scheduled to open in late 1984 or early 1985. Other downtown properties are contemplating expansions or renovations. However, nothing is definite.

The outlook for the Columbus lodging industry is positive. The city's economy is oriented toward service and government-related industries, which means that Columbus will suffer less than other Northeastern industrial cities during a recessionary period. Demand for lodging accommodations is expected to increase during the next several years and should keep pace with the development of new hotels. As a result, Columbus lodging facilities should continue to maintain their current level of occupancy.

Thomas A. Felderman
Michael L. Sturges
Cleveland

From Dallas

The Dallas lodging industry experienced moderate growth in 1982. The number of rooms sold by area hotels increased 2 percent compared with 1981, although the area-wide occupancy dropped to 64 percent for the year. The four point decrease in occupancy was attributable to an increase of about 7 percent in the room supply. Further decreases in city-wide occupancy levels are anticipated in 1983, as room supply is expected to increase an additional 17 percent.

The city-wide average room rate rose to $48 in 1982, an increase of about 8 percent over the 1981 level. This is the lowest percentage increase since 1976. Current economic conditions and the competitive pricing that has resulted from numerous recent hotel openings are the primary reasons for this relatively small increase.

As the chart on the next page indicates, additions to the Dallas lodging industry have occurred primarily in the Stemmons Market Center, North Dallas and airport sectors. The majority of the additions opened in the last quarter of 1982 and their impact will not be

felt until 1983. While occupancies are anticipated to drop significantly and rate discounting may be prevalent, these projects reflect anticipated continued growth in these market sectors with the eventual absorption of new rooms.

The expansion of the Apparel Mart and the establishment of a Men's Mart and Infomart at Market Center should increase the number of visitors to Dallas. The Infomart, which will serve the electronics industry, is expected to generate two new markets in Dallas with approximately 200,000 visitors annually.

The opening of the Dallas Galleria should draw more out-of-town visitors to the North Dallas sector. Additionally, the rapid expansion of available office space should increase commercial demand and the availability of major hotels with extensive meeting space should create some new group and convention demand for the area.

Enplanements at the Dallas-Fort Worth Regional Airport have increased at an annual rate of approximately 7 percent during the past five years, a trend that is expected to continue. Additionally, Las Colinas continues to attract major corporations and has more than 5.5 million square feet of existing office space, with another 4.5 million square feet under construction.

Dallas (New Properties)

Area	Property	Rooms	Status*
Downtown	Ambassador Park (renovation)	113	UC
	Sheraton-Dallas (renovation)	545	UC
	Convention Center Hotel	1,000	P
North Central Expressway	Hilton Inn-Richardson	298	O
	Brookhollow Inn-Richardson	100	
North Dallas	Sheraton Park Central Hotel	560	O
	The Lincoln (A Radisson Hotel)	514	O
	Marriott Quorum	569	O
	The Westin Galleria-Dallas	441	O
	Texan Inn	115	O
	Preston House	78	O
	Registry Quorum	570	O
	Preston Royal Creek Hotel	400	P
Stemmons Freeway Corridor and Market Center	Granada Royale Hometel	248	O
	Sheraton Inn-Mockingbird (expansion)	112	O
	Wyndham Hotel	542	O
	Melrose Hotel (renovation)	185	O
	Holiday Inn-Brookhollow	358	UC
	Loew's Anatole Hotel (expansion)	720	UC
D/FW Regional Airport and Las Colinas	Mandalay Four Seasons	423	O
	Marriott D/FW Freeport	500	O
	Sheraton Grand Hotel	302	O
	Hilton Inn and Executive Conference Center	416	UC
	Holiday Inn-D/FW South (expansion)	161	UC
	Hotel Ibis	200	P
	Las Colinas Conference Center	300	P
	Hyatt Regency	500	P
	Texas Plaza Hotel	400	P

*O-opened; UC-under construction; P-planned

In downtown Dallas, hotel properties have continued to maintain a mid-50 percent occupancy level despite increases in room supply. The expansion of the Convention Center, which is scheduled for completion by the 1984 Republican Convention to be held in Dallas, should help boost occupancies in the near future. Continued new office development activity, including the construction of a 70-story, 1.7 million-square-foot office building downtown, and the development of the new Dallas Museum of Fine Arts and supporting Arts District should fuel demand growth.

The tremendous increase in the room supply is expected to lower city-wide occupancies to the 50 to 55 percent range during the next few years. However, actual demand should continue to be healthy.

John R. Weeman
Margelia L. Jones
Dallas

From Denver

The lodging industry in Denver did not fare well in 1982 and the first half of 1983. Large reductions in energy exploration and other energy-related activities, along with the national economic slowdown, were major contributors to this situation. The effects of these factors on Denver lodging properties were reduced occupancy levels and stable or only slightly increased room rates.

Economic growth in Denver, which was at record levels in the late 1970s, is now returning to more normal rates. However, the lodging industry is taking longer to recover. Increases in the room supply also have affected area hotels' utilization. New properties in the central business district included a 622-room Marriott (1982), an 82-room luxury renovation, the Oxford Hotel (mid-1983), and the 172-room Park Suite Hotel (late 1983). Occupancy levels at downtown hotels are among the lowest in the area and room rates have stabilized. The 428-room Westin Hotel now under construction as part of the Tabor Center mixed-use development is planned to open in 1984. Several other hotels also are planned, but those likely to go ahead will target the commercial and corporate group market segments and provide from

250 to 400 rooms.

Hotel companies and developers planning larger convention-oriented hotels are awaiting the outcome of negotiations between the City of Denver and a group of developers regarding an expanded and relocated convention center. The plan being negotiated proposes the "swap" of the present convention center and site for a new 300,000-square-foot convention facility adjacent to Denver's Union Terminal in the lower downtown area of the city. This unique transaction, when consummated, will provide Denver with a convention center that will ensure the city's position in the highly competitive convention market.

Denver's growing southeastern area experienced substantial commercial development in 1982, and more is expected. The growth of first-class office projects has made this one of the most sought after areas for hotel development. The Sheraton-Denver Tech Center is completing a 320-room addition. Ramada's first Renaissance opened a 200-room addition in 1983, bringing its room complement to 499. The 254-room Doubletree Hotel (formerly the Summit) opened in mid-1983. These new properties have not negatively affected the area lodging industry's overall performance. However, room rates are being cautiously and conservatively increased. Two new hotels are planned for this area: a 450-room Hyatt Regency, Denver's first representative of that chain, and a 266-room Ramada Hotel. Several other proposed hotel projects are being studied at this time. This area will continue to be Denver's major growth center for years to come.

The board governing Stapleton International Airport has tentatively approved recommendations that the nation's seventh busiest airport be expanded at its present location rather than being relocated 30 miles east of the city. This decision undoubtedly provides comfort to the owners and operators of the more than 2,600 rooms available near the airport. Several hotel developers are now seeking financing for projects near Stapleton. This sector historically has had the highest occupancy rates in the area.

The western and southwestern sectors are experiencing hotel development almost in advance of large-scale office developments. These projects include a 306-room Marriott to open in 1984, a 245-room Sheraton that opened in 1983 and a 193-room Holiday Inn planned to open in 1984. Several other properties are in the preliminary stages of development.

The Cherry Creek area is expected to attract the interest of lodging developers as plans continue for the proposed 1.5 million- to three million-square-foot Cherry Creek Shopping Center.

Denver continues to be an attractive area for hotel development, reflecting the region's long-range growth prospects. Many hotel companies have targeted Denver for potential development and or introduction of new lodging concepts. Existing properties are, of necessity, becoming increasingly sophisticated in their marketing efforts and are relying on their in-house sales staffs to market to area businesses, groups and conventions.

Gary S. Schiehl
Denver

From Des Moines

The 1982 city-wide occupancy in Des Moines increased 4 percent over the 1981 level to 54 percent. The city's lodging industry is recovering slowly from the depressed occupancies of recent years caused by economic downturns and the addition of more than 600 hotel rooms in 1980 and 1981.

Major lodging development activity has been focused downtown. Renovation of two properties was completed recently: the 252-room Hotel Fort Des Moines and the 255-room Hotel Savery. The 416-room Des Moines Marriott opened in spring 1981, substantially increasing the city's convention capacity. A new convention center is under construction downtown, with completion anticipated in spring 1985. The 145,000-square-foot facility will have 50,000 square feet of clear-span exhibition space and 20,000 square feet of meeting space. The new center will be linked to two major hotels, the Des Moines Marriott and the Hotel Savery, by the downtown skywalk system.

Occupancies should continue to increase as the additional hotel rooms are absorbed. Increased growth is anticipated with the opening of the new convention center in 1985.

Paul D. Enggaard
Kansas City

From Detroit

For lodging operations in Michigan, 1982 was another difficult year. The problems of the U.S. auto industry continued to affect lodging demand statewide. Michigan occupancy was 58.9 percent in 1982, 6.5 percent lower than the 1981 level. About 1,000 new rooms were added to the area supply in 1982 and early 1983, creating intensified competition for the declining demand.

However, the gloom broke in early 1983. Properties in selected markets began to show occupancy gains in January. By May, monthly occupancies were showing healthy increases of about five occupancy points. All signs point to much stronger results in 1983, for which operators and developers alike are grateful.

The most noticeable current trends are:

- Syndication of existing properties.
- "Dusting off" of previous development proposals.
- Proposed launch of specialty products, such as all-suite properties.

In the coming year, operators expect to see demand firm up further. This, in combination with an improvement in the economy, will result in an acceleration of room rate increases.

Sarah W. Boulos
Detroit

From Fort Worth

Forth Worth's economic growth remained healthy in 1982, as reflected by the approximately 5.2 million square feet of office space that opened or was under construction. In addition, nonmanufacturing-related employment increased 3.4 percent over the 1981 level.

The Fort Worth lodging industry maintained limited growth in demand through 1980. While significant increases in room supply in 1980 and 1981 adversely affected occupancy

levels, the new rooms greatly increased the city's long-term potential for growth in demand. City-wide average occupancy remained stable in 1982 compared with 1981, in the low 60 percent range. This was attributable to the national economy and the decline in oil prices. The city-wide average room rate rose from $47 in 1981 to the low $40 range in 1982.

Despite the relatively low occupancies, numerous developers and hotel companies are interested in Fort Worth. Projects under construction or planned include:

- A 120-room all-suite Residence Inn being developed by Brock Hotel Corporation, scheduled to open in 1983.
- A proposed 360-room hotel planned for the Fort Worth Stockyards.
- Several 100- to 250-room properties planned for the north, south and west sections of the city.

Continued economic growth is projected for Fort Worth as new office space is leased, the national economy starts to recover and new developments are announced.

John A. Montgomery
Feliz P. Jarvis
Dallas

From Greensboro/High Point/Winston-Salem

Known as North Carolina's Piedmont Triad, the cities of Greensboro, High Point and Winston-Salem share a regional airport and an increasing amount of development activity. Approximately 5,500 hotel and motel rooms currently exist within the area and overall occupancies are favorable. Certain properties located near east-west Interstate 40 reported occupancy levels of 70 to 75 percent in 1982.

Historically, the Triad's economy relied heavily on the furniture, tobacco and textile manufacturing industries. The employment base has diversified in recent years, with substantial growth in the trade and service sectors and an influx of high technology industry.

In Greensboro, major generators of lodging demand include the Greensboro Coliseum, Burlington Industries, Southern Life Insurance Company, Cone Mills and Western Electric. The newly expanded Triad Regional Airport is now twice the size of the original facility, and has spurred office, lodging and distribution/warehousing development in the area. A 300-room Marriott, adjacent to the terminal, opened in June 1983. A 200-room all-suite hotel has been proposed for Interstate 40 at the Four Seasons Mall in Greensboro, and is likely to be developed by 1985.

High Point is the site of the semiannual Southern Furniture Markets, which attract buyers from all parts of the nation. There are more than 85 furniture manufacturers located in the vicinity. High Point also hosts the PGA's Henredon Golf Classic each year. A 253-room Radisson Hotel under construction in High Point is expected to open by late 1984.

Winston-Salem is the home of R. J. Reynolds Industries, Consolidated Foods Corporation's Hanes Group, Piedmont Aviation and Wachovia Corporation. The most significant development scheduled for the area within the next decade is the expansion program planned by R. J. Reynolds Industries Tobacco Company. The $1 billion project includes the construction of two new cigarette production facilities and expansion of the company's Whitaker Park manufacturing complex in north Winston-Salem. A 300-room Stouffer's Hotel under construction in downtown Winston-Salem is expected to be complete by mid-1984. The Stouffer's is adjacent to the M. C. Benton Convention Center, which may undergo expansion within the next several years.

The addition of three first-class hotels in 1983 and 1984 with a total of 853 guest rooms may slow hotel development in the Piedmont Triad within the next few years. However, the budget lodging industry is expected to show substantial growth in all sectors.

William J. Moeckel
R. Mark Woodworth
Atlanta

From Houston

Occupancy in the Houston lodging industry declined during 1982 for the first time in several years. This was attributable to major additions to room supply and a decline in demand as a result of the oil and gas situation and the devaluation of the Mexican peso. Occupancy levels remained fairly stable until June. However, city-wide occupancy was 60.8 percent at year-end 1982, a seven point drop from 1981. Decreases in occupancy by geographic sector ranged from a low of five points to a high of 11 points. Average room rates increased at much more moderate rates than they have historically. The city-wide average room rate was $49.39, a 6.5 percent increase over 1982. Individual sector room rate increases ranged from a low of 3 percent to a high of 9 percent.

New hotel development and expansion activity occurred at an unequalled pace in 1982. Eighteen new hotels and four expansions added approximately 4,600 rooms, the largest addition to area supply in Houston's history. Nine hotels recently completed or currently under construction will add more than 3,000 rooms by the end of 1984. These include the following projects:

- The 200-room Ibis and the 450-room Sheraton in North Houston, both of which opened in spring 1983.
- Three new hotel projects in the West Loop/Greenway Plaza area. The 519-room Hotel Inter-Continental Houston, across from the Galleria, and the 500-room Holiday Inn-Galleria will open in late 1983. The 450-room Holiday Inn-Waketorest will open near Greenway Plaza in 1984.
- The 357-room Holiday Inn at Park 10 and the 400-room Hyatt Regency Woodcreek, both in west Houston. These projects are scheduled to open in 1983.
- At the Texas Medical Center, a 410-room Marriott under construction adjacent to Scurlock Tower and a 180-room all-suite independent property being developed in conjunction with a medical office building by Cooley Interests. Both will open by late 1984.

A number of other projects are proposed for development, but we do not anticipate that hotel development activity will continue at the same pace as in the past few years.

Commercial activity has dropped as a result of the oil and gas situation. Area economists projected that this

trend would bottom out by mid-1983, followed by a slow recovery. The local economy is projected to return to normal within 12 to 18 months.

The Astrodome complex is undergoing renovation and expansion, which should improve the availability of convention facilities. Planning is still underway for a new convention center to be located downtown in Houston Center. These developments will support growth in convention activity. Tourism should continue to increase at moderate rates.

Demand for lodging facilities is projected to remain fairly stable in 1983. In general, occupancy levels will continue to be moderate during the next several years. Eventually, demand increases will absorb the additions to supply and provide additional support for new development.

Diane C. Parmerlee
Houston

From Indianapolis

For the lodging industry in Indianapolis, 1982 was a relatively stable year. Overall occupancy levels declined slightly from approximately 60 percent in 1981 to about 59 percent in 1982, while overall average rates rose almost 7 percent to $40. The downtown properties experienced the most improvement, while occupancy levels on the north and west sides dropped the most, primarily because of additions to room supply. The north side has experienced the most sustained new commercial development in recent years.

On the north side, a 150-room addition to the Holiday Inn-North opened along with a 50-room addition to the Signature Inn-North. A second Signature Inn with 145 rooms opened in May 1983. Ground was broken for a 400-room Radisson in the Keystone at the Crossings complex. On the northwest side, a 146-room Midway Motor Lodge opened near I-465 and the Indianapolis Speedway.

Convention attendance increased 17 percent from the 1981 level. In addition to the annual Indianapolis 500 and U.S. Clay Courts Championships, the city hosted several exciting events, including the 1982 National Sports Festival, the U.S. Figure Skating Nationals and the International Violin Competition. Also, the Indianapolis Museum of Art celebrated its 100-year anniversary. Finally, the 125,000-square-foot addition to the convention center is expected to be complete by summer 1984, and work is progressing on the adjacent 70,000-seat stadium.

The outlook for Indianapolis is positive, and 1983 has started off well, reinforcing the positive trends of 1982.

Douglas Hayward
Chicago

From Kansas City

Despite the national recession, average occupancy for leading Kansas City area properties declined only 1 percent from an average of 61 percent in 1981. Total demand remained at 1981 levels. The slight average occupancy decline was attributable to supply increases, including the 350-room Doubletree Hotel and the first full year of operation for the Hyatt Regency, which was closed for several months in 1981.

Kansas City convention activity increased approximately 12 percent city-wide from the 1981 level. Additionally, passenger enplanements and daily scheduled arrivals at the airport increased 12 and 10 percent respectively from 1981 levels. The number of airlines using Kansas City International Airport climbed to 17, a 31 percent increase compared with 1981.

In the central business district, groundbreaking for the 573-room Vista International Hotel occurred in spring 1982, and a late 1984 opening is expected. Officials are still studying expansion and other facility refinement for the convention center. Construction of at least one of the six major office projects proposed for the downtown area should begin in 1983.

The fashionable Country Club Plaza area continues to be a hub for dynamic hotel, office and retail development. Projects planned for this area include the 210-unit Brock Park Suite Hotel (an apartment building conversion), a 450-room hotel and three proposed major office complexes. In addition, two major office buildings have just been completed on both the east and west sides of the Plaza area, and retail additions, including Saks Fifth Avenue and Tiffany's, continue to enhance the retail offering.

Johnson County, the southwestern suburban area of metropolitan Kansas City, has experienced strong commercial, industrial and residential growth in recent years. Seventy-two percent of office space completed in the Kansas City area during 1982 was in Johnson County, primarily along the College Boulevard I-435 corridor. Three of the six industrial parks proposed for metropolitan Kansas City are planned for southwestern Johnson County. More than 900 hotel rooms are under construction in the county, including a 404-room Marriott Hotel, the 201-unit Holiday Inn Embassy Suites, a 176-room expansion to the Lenexa Holiday Inn, and the 150-room Holiday Inn-Olathe. A Granada Royale and a Residence Inn have been proposed for the area.

With significant improvements in key indicators during late 1982 and so far in 1983, improved occupancy levels are anticipated through 1984. However, the absorption of supply increases expected by 1985 will depend largely on the timing and duration of the national economic recovery.

Jeffrey K. Marvel
Kansas City

From Knoxville

During 1982, the Knoxville lodging industry experienced significant increases in both the supply of and demand for lodging facilities fostered by the 1982 World's Fair. The fair attracted more than 11 million visitors to Knoxville between May and October 1982 and served as a primary force behind major highway improvements and downtown redevelopment activity. During the fair's operation, the aggregate area occupancy was estimated to be 90 to 95 percent, while the 1982 annual occupancy was approximately 80 to 85 percent.

Most significant to the area lodging industry was the opening of the 325-room Knoxville Hilton in late 1981 and the 200-room Quality Inn and 299-room Holiday Inn-World's Fair in early 1982. These new properties, located near the fair site, represented an increase of about 114 percent in the supply of first-class guest rooms in

downtown Knoxville. Additionally, the fair prompted the development of many small, temporary, budget-oriented lodging facilities that discontinued operation subsequent to the fair's closing. The opening of three new lodging facilities downtown has left that area in a short-term overbuilt condition. In contrast, there have been no major changes in the suburban room supply, and properties in these areas continue to experience strong demand.

Future demand levels will depend primarily on continued redevelopment of the downtown business district, redevelopment of the World's Fair site, and successful marketing of the Knoxville Convention Center (currently under construction). During 1982, more than 500,000 square feet of new office space was built in the downtown area, with an additional 250,000 square feet of office and retail space proposed for development. City officials believe that the exposure provided by the World's Fair should have a favorable effect on their ability to attract new and expanding business back into the downtown area.

Current plans for the fair site propose development of 1,000 residential units, 60,000 to 80,000 square feet of specialty festival retail space, 30,000 square feet of neighborhood retail space, parking facilities for approximately 2,500 vehicles, and the Knoxville Convention Center. The convention center will contain more than 100,000 square feet of divisible function space and is being constructed at one of the fair's exhibit halls, which is attached to the Holiday Inn-World's Fair. The development of the convention center is crucial to the local lodging industry. It should allow the city and individual hotels to appeal to a much broader spectrum of convention group meeting-related demand and soften the impact of the dramatic increase in the downtown room supply.

Based on the current supply of hotel rooms and anticipated trends, demand in the next two to three years is projected to be somewhat soft in the downtown sector, while remaining strong in suburban sectors. As the new office space begins to fill and the convention center is opened and marketed, occupancy levels at downtown properties should begin to strengthen and stabilize.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Las Vegas

Las Vegas continued to be the resort bargain in 1982. Although occupancies at area lodging facilities were lower than 1981 levels, other tourism indicators reflected increases despite the national recession, indicating the ongoing popularity of this destination resort.

Area hotels reported a combined annual occupancy of 76 percent, approximately 4.5 points below the 1981 level. Despite the decline in occupancy, Las Vegas hotels continued to operate at levels that exceeded national hotel occupancies by more than 10 points. Hotels operated at occupancies surpassing 90 percent during more than half of all weekends in 1982.

Motels in Las Vegas were most affected by the downturn in lodging demand in 1982. Combined occupancy for motels was 59 percent, more than eight points below the 1981 level. This can be attributed in part to the increased competition among all Las Vegas lodging properties.

The hotel/motel room inventory exceeded 50,000 in 1982, with the addition of 656 rooms to the area supply. A 500-room addition to the Flamingo Hilton accounted for the majority of the increase. Construction of 700 new hotel rooms in the downtown area should be completed by mid-1983. The rooms are expansions to the Union Plaza Hotel-Casino (500 rooms) and the El Cortez Hotel-Casino (200 suite-type units).

Tourists and convention delegates continued to travel to Las Vegas during 1982, despite the economy. Visitor volume to the area reached more than 11.6 million people, only 2 percent less than the 1981 volume. More than 800,000 convention delegates came to Las Vegas in 1982, an increase of approximately 12 percent from the prior year. Increased bookings for future conventions indicate that convention delegate attendance should continue to increase. The most recent expansion to the Las Vegas Convention Center was completed in 1982 in time for several shows and conventions that used the entire one million-square-foot facility. The downtown convention center, Cashman Field, should be completed and available for conventions and other group functions by September 1983. Both facilities will be marketed and operated by the Las Vegas Convention and Visitors Authority.

Major competitive sporting events continue to attract thousands of visitors to Las Vegas and contribute millions of dollars to its $5 billion resort industry. In 1982, three major auto races were held in the area: the Caesars Palace Grand Prix, the Frontier 500, and the Mint 400. Several championship tennis and golf tournaments were hosted by various casino hotels, including the Alan King Tennis Tournament and the 1982 LPGA golf tournament. Numerous championship boxing matches were staged in 1982, including several heavyweight bouts. Local tourism officials estimate that each heavyweight championship bout contributed more than $150 million in revenue to the Las Vegas economy.

Hotel and government officials have stepped up their efforts to promote Las Vegas as the resort bargain of the world. Increased convention bookings and the scheduling of more special events in the area have helped to raise the number of visitors. During the first quarter of 1983, many key indicators, including occupancy, exceeded 1982 levels. The State Legislature approved the governor's expanded tourism budget in early 1983. It is anticipated that the area's resort industry will benefit from the additional promotional and marketing efforts to be provided by these funds.

T. Ralph Piercy
Las Vegas

From Memphis

The Memphis area lodging industry registered an aggregate occupancy of about 61 percent in 1982, down approximately five points from 1981 occupancy levels partly as a result of the addition of the 412-room Peabody Hotel. The area's economy has been

sluggish in recent years, mirroring that of the nation as a whole, with two major plant closings contributing to an increase in manufacturing unemployment in 1982. However, Memphis has established itself as the sixth largest distribution center in the nation, serving both domestic and foreign markets and offering an attractive package of air, rail, water and interstate highway transportation.

Downtown Memphis is the focus of increased development investment, attracting more than $250 million in public and private funds since 1976 for hotels, office space, residential housing and entertainment facilities. Major developments affecting lodging demand downtown include the following:

- Cook Convention Center, offering 1.8 million square feet of space, was opened in the mid-1970s but has been underutilized due to a lack of downtown hotel rooms. This attractive facility is the largest convention and exhibition center in Tennessee.
- The $63 million Mud Island Mississippi River museum and entertainment complex opened in July, 1982 and attracted approximately 850,000 visitors in its first six months of operation. Mud Island is connected to the Cook Convention Center area by a tramway.
- Graceland Mansion, the home of Elvis Presley, opened during 1982 and attracted more than 450,000 visitors during its first six months of operation.
- Restoration of the historic Beale Street district, known as the birthplace of the blues, is expected to be complete by 1984. The area will offer shops, night clubs, restaurants and performing arts centers within walking distance of downtown hotels.
- The two-year restoration of the 48-year-old Peabody Hotel is estimated to cost in excess of $25 million. With 412 luxury-oriented rooms and suites and 60,800 square feet of superior meeting space, the Peabody has enhanced Memphis' position as a convention destination.
- Two major new hotel projects are expected to be developed by 1985. The proposed 403-room Holiday Inn-Convention Center, adjacent to the Cook Convention Center, will reflect the new upscale Holiday Inn Plaza concept. The proposed 289-room Memphis Plaza Hotel, adjacent to the Peabody Hotel, is expected to be affiliated with a first-class lodging chain.

The suburban lodging sector, particularly within the airport and east Memphis areas, continues to accommodate primarily commercially-generated demand. The reopening of the Peabody Hotel, as well as other developments in the downtown area, has shifted lodging demand growth away from the suburbs, with further growth expected in the downtown sector as Memphis establishes itself as a major convention destination.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Minneapolis/St. Paul

The Twin Cities outperformed the rest of the Midwest in economic terms in 1982, primarily because of their concentration of firms involved in high technology, food processing, communications and medical science, as well as their minimal dependence on heavy manufacturing.

Lodging demand in the Twin Cities remained strong, although the industry's performance has been watered down by rapid expansion of the room supply since 1979. In 1982, the overall area occupancy at full-service properties dropped only 1.5 points below the 1981 level, to 58.6 percent. The Bloomington airport area maintains the highest area occupancy. Overall demand remained stable while 533 new rooms were added in three properties, representing a 4.5 percent increase in supply over 1981.

The Metropolitan Airport Commission reported that air traffic through the Twin Cities increased more than 10 percent in 1982 compared with 1981. Convention attendance declined in Minneapolis but increased in St. Paul. Growth in multiple occupancy supports property operators' observations that apparent decreases in commercial travel activity (shorter average stay, less frequent visits) and convention attendance have been offset by increased pleasure traffic attracted through weekend package inducements.

In 1982, the 202-room Sheraton Midway, the 307-room Sheraton Park Place and the 24-room Nicollet Island Inn became part of the Twin Cities' full-service lodging inventory. Another 440 full-service rooms will open in 1983. These supply increases represent a slowing in the recent construction boom. From 1979 to 1983, approximately 3,400 new rooms were added to and 860 rooms removed from the area's full-service room supply, representing a 25 percent net increase during the four-year period. By the end of 1983, there will be approximately 12,500 full-service hotel rooms in the Twin Cities.

The 65,000-seat Hubert H. Humphrey Metrodome, home of the Minnesota Vikings and the Minnesota Twins, opened in downtown Minneapolis in April, 1982. It replaces the teams' old home, Metropolitan Stadium, in Bloomington. The full effect of the Metrodome on the local lodging industry was not felt in 1982 because of the NFL players' strike. However, the biggest question mark for the future lies in the development of the 100-acre Metropolitan Stadium site. Tentative plans for this tract include a mix of commercial office space, hotels, major retail facilities and a possible convention facility.

The opening of the 600-room Amtac City Center Hotel in 1984, and construction of a new Radisson Hotel to replace the old Radisson Minneapolis (closed in 1981) are expected to attract new convention demand to downtown Minneapolis. Room supply in downtown St. Paul will expand with the opening of the renovated St. Paul Hotel and the new Granada Royale in 1983.

Average room rate increases slowed to 5 percent in 1982, reaching $47.10 for full-service properties. Future room rate increases are expected to be moderate because of economic conditions and increased competition, especially from budget motels. Properties in downtown Minneapolis and Bloomington reported increases in food sales, while beverage sale declines were practically universal. A decline in the number of covers served was offset by an increase in the average receipt per food cover this past year.

The budget lodging industry continues to be a strong force in the Twin

Cities, although overall occupancy for budget properties declined nearly 11 points to 58 percent in 1982. Occupancy declines were attributed primarily to the recession and supply increases. Approximately 1,600 chain-affiliated budget motel rooms have been added to the Twin Cities' room supply since 1979. The opening of 263 rooms in two properties brought the supply of chain-affiliated budget lodging accommodations to approximately 2,100 rooms at the end of 1982. Another 278 budget rooms are scheduled to open in 1983. Room rates in the local budget lodging industry increased approximately 3.7 percent to $28.75 in 1982.

Economic conditions in the rest of Minnesota, most notably the "Iron Range" and Duluth, continue to be depressed. However, the state government is planning to increase spending to promote tourism within Minnesota, providing a boost for these areas and the state overall.

Stephen W. Short
Stacy McMahon
Minneapolis

From Nashville

Nashville has continued to gain national recognition as the country music capital of the United States. It is the home of the Grand Ole Opry, Opryland and the Country Music Hall of Fame. In addition, a country music cable network has begun broadcasting out of the "Music City," which should enhance its image as a major tourist destination. Because of the city's consistently strong levels of commercial demand and a growing convention/group-meeting market, the area lodging industry is not subject to severe seasonal fluctuations.

During 1982, area occupancies decreased two to three points, resulting in an aggregate occupancy of approximately 67 percent. During the same period, average room rates increased 7 to 8 percent. The decline in occupancy is attributable to overall economic conditions, the national recession and slower absorption of 1981 additions to room supply than expected.

Additions to the area room supply consisted primarily of smaller hotel/motel developments and expansion of existing properties. The two largest new properties are a 146-room Sheney's Inn and a 130-room La Quinta Motor Inn. A total of about 460 rooms have been added to area supply.

The Opryland Hotel is still the leading hotel in Nashville, combining a large concentration of meeting space with an excellent location adjacent to Opryland. The hotel is in the midst of a $40 million expansion program that includes the addition of 472 guest rooms (which opened in June 1983) and a new convention hall with 107,000 square feet of meeting space. When completed in November 1983, Opryland will offer conventions a total of 225,000 square feet of meeting space and 1,076 guest rooms.

During 1982, the city received approval of a $130 million development package that will include a new convention center, a 714-room hotel and downtown redevelopment. The convention center complex, as planned, will feature a 120,000-square-foot exhibit hall, three ballrooms and 26 breakout rooms. It is scheduled to open in mid-1985. The site currently designated for the development is within two blocks of the Hyatt, the Hermitage and Radisson Hotels, which will provide an abundance of first-class accommodations for conventions. Recognizing that the growth of the other segments of lodging demand in downtown Nashville has slowed in recent years, partially as a result of intensified suburban competition, the increase in group-meeting demand appears essential to ensure the long-term success of these properties. The convention center also will contribute to revitalization efforts by enhancing a deteriorating pocket in the downtown area and supporting the nearby riverfront park development, planned to include a mixed-use food, beverage and retail area.

Future growth in overall demand in the Nashville lodging industry depends largely on the availability of meeting facilities and related accommodations. In addition to the convention center, the 350-room Vanderbilt Plaza, a Lincoln property, is scheduled to open in late 1983. Situated next to Vanderbilt University, the property will feature an 8,000-square-foot ballroom.

While moderate growth is projected for the tourist and commercial demand segments, group-meeting demand should have a greater impact during the coming years. Since 1980, the attendance at conventions has increased 8.5 percent and should increase even more as additional facilities and services become available. The continued popularity of the Sunbelt region and Nashville's diverse economic base suggest future growth in the commercial demand segment. Based on these factors and the continued growth in the other sectors of Nashville's economy, the lodging industry should experience moderate levels of growth in overall demand in the years ahead.

William G. Moeckel
R. Mark Woodworth
Atlanta

From New Orleans

Occupancy for the New Orleans lodging industry at year-end 1982 was 70 percent, four percentage points below the 1981 level. This decrease was attributable to economic conditions and the existing supply and demand situation in several sectors of New Orleans. The city-wide average room rate was $61, a 7 percent increase from the 1981 rate of $57, with considerably higher room rates achieved by properties in the French Quarter and the central business district.

Convention-oriented demand continues to be predominant. Approximately 636,000 delegates visited the city in 1982. Delegate visitation should increase significantly beginning in 1985 with the opening of the 350,000-square-foot New Orleans Convention and Exhibition Center. Currently ranked as the second most popular convention destination in the country, New Orleans should maintain high levels of convention demand not only because of the extensive convention facilities, but also the excellent base of convention-oriented hotels and a central location within the Sunbelt region.

Tourism constitutes the majority of the remaining lodging demand. With the French Quarter and numerous other historical attractions, New Orleans has maintained a solid position as a tourist destination. This position should be further solidified with the

Louisiana World's Fair Exposition (May through November 1984), which is expected to attract approximately 11 million visitors. The impact on lodging demand should be significant, with an estimated 40 percent of these visitors requiring hotel accommodations.

Commercial development in New Orleans has continued. The downtown office space inventory currently contains nearly 10.2 million net rentable square feet of office space, with an additional 4.3 million square feet under construction. This represents an increase of approximately 30 percent by year-end 1984.

With the increased demand projected as a result of the new convention center, the Louisiana World's Exposition and rapid commercial office development, downtown New Orleans hotel development has been extensive. The following are among the hotel projects under construction or recently opened:

- The 1,200-room New Orleans Sheraton, which opened in December 1982.
- The 1,036-room Ramada Inn conversion, planned for a mid-1983 opening.
- The 504-room Hotel Inter-Continental and 338-room Windsor Court Hotel, projected to open in 1983.
- The 458-room expansion to the 1,146-room New Orleans Hilton and Towers, projected to open in 1984.
- The 504-room Hotel Meridien, 500-room Trusthouse Forte hotel, 456-room Holiday Inn downtown, 380-room MAT Associates Development and 250-room Lincoln Plaza Hotel, all projected to open in 1985.

These downtown projects should add approximately 6,000 rooms by year-end 1985, which will contribute to substantial decreases in market occupancy from 1982 levels.

Other lodging sectors in New Orleans are maintaining healthy levels of occupancy between 68 and 85 percent. Proposed projects for these sectors include a 153-room La Quinta Motor Inn in Gretna, west of New Orleans, and a 130-room expansion to the 207-room Landmark Hotel in the Garden District adjacent to downtown.

Steady growth in demand for lodging accommodations should continue. Convention activity and tourism will continue to dominate as a result of the upcoming World's Fair Exposition and the opening of the new convention center. However, with the extensive increase in lodging supply, demand should be readily absorbed throughout the 1980s.

J. Paul DeMyer
Houston

From New York

Between 1979 and 1981, seven new or converted hotels opened, containing a total of 6,644 rooms. This was the first net increase in Manhattan's hotel supply since 1963. During 1982, however, no new hotels opened and two tourist-class properties (the 1,000-room Abbey Victoria and the 550-room Piccadilly) closed, resulting in a 5,094-room net increase since 1979.

During the same period (1979 through 1982), occupancy in Manhattan declined from a 30-year high of 82.5 percent in 1979 to 70.8 percent in 1982. This was due, in part, to the net increase in room supply, but also to a 2.5 percent decline from 30,773 occupied rooms per day in 1979 to 30,015 in 1982. The decline in demand can be attributed to the current recession, which has resulted in corporate budget cutting in areas that ultimately affect the lodging industry. These include sending fewer people to meetings, conferences and conventions, limiting travel to one to two days, conducting business by telephone instead of in person, and so on. Most economic indicators point toward an easing of the recession. However, the hotel industry's recovery historically lags six to nine months behind as corporations fail to increase travel budgets immediately following improvement in business conditions. Also contributing to the decline in demand is the strength of the U.S. dollar relative to foreign currencies, which has prohibited business and tourist travel to the U.S. while providing an incentive for Americans to travel abroad.

As the recession eases and demand begins to increase, several new hotels that recently opened or are under construction will further dilute the lodging supply and affect city-wide occupancy rates. These include:

- The recently opened 239-room Ritz-Carlton Hotel (a renovation of the Navarro Hotel) on Central Park South.
- The 250-room Nova Park-Gotham Hotel (formerly the Gotham Hotel), located on 55th Street and Fifth Avenue, which is scheduled to open during fall 1983. This property will be marketed as a "center city resort," catering to the affluent (primarily international) traveler, and will include extensive high-quality food and beverage facilities, an exclusive health club, lavish furnishings and ultra-luxury services.
- The 2,020-room New York Marriott Marquis Hotel, located on Broadway near Times Square, which is scheduled to open in mid-1985. Oriented toward the convention and commercial markets, the property tentatively will include 80,000 square feet of meeting and exhibition space and will be located near the Convention and Exposition Center now under construction. It is hoped that the hotel will serve as a catalyst for redevelopment of the Times Square area.
- The 480-room Novotel, on Broadway at 51st Street, which is scheduled to open in late-1984. It is affiliated with the French Sofatel chain.

A number of chains are seeking opportunities in Manhattan. The prime development locations are in the area surrounding the Convention and Exposition Center on the West Side, Lower Manhattan (the financial district), where the Vista International Hotel has enjoyed a reasonable level of success, and the East Side, where substantial office development is underway.

The average rate per occupied room has been affected adversely by the decrease in occupancy. The 1982 city-wide average room rate was $82.82 compared with $77.59 in 1981, an increase of 6.7 percent. This compares with a 10.2 percent increase for 1980-81, and annual increases of 15 to 19 percent from 1978-79 and 1980-81, when city-wide occupancies were 82.5 percent and 79.4 percent respectively. The percentage increase in the average room rate approximates the overall rate of inflation. When combined with the declining occupancy, however, it has resulted in a decrease in sales and deteriorating profit mar-

gins for many properties, particularly newer properties that needed the steadily rising average room rate to cover the high cost of debt.

Even with the slower-than-expected economic recovery and the 2,989 rooms recently completed or under construction, the outlook is bright for New York City's lodging industry. There has been substantial new office development on the East Side (particularly Third Avenue) and in the financial district, which will increase hotel demand in both Midtown and Lower Manhattan. In addition, the opening of the New York Convention and Exposition Center (scheduled for 1986) and the Marriott Marquis should spur development on Manhattan's West Side, a previously underdeveloped area.

In conclusion, hotel occupancy in New York City is expected to remain constant in 1983 relative to 1982, with the effects of the improved economy being felt by the fourth quarter. The outlook for 1984 and beyond is for increases in occupancy as the economy continues to improve. Additionally, as many of the projects are developed, hotel demand will be affected favorably.

Arthur Adler
New York

From Norfolk/Virginia Beach

Spurred by the increase in defense-related activity, aggressive commercial construction and a strong tourist market, occupancies and rates in the Norfolk/Virginia Beach market continued their annual upward trend in 1982. The average occupancy for the area was approximately 70 percent at an annual rate of $46.

Virginia Beach historically has been one of the region's more popular summer tourist destinations, attracting more than two million visitors to the oceanfront resort each year. However, several recent developments have influenced the growth of lodging demand. The opening of the Virginia Beach Arts and Conference Center has made the city more competitive in attracting state and regional conventions, especially in the spring and fall months. Along the Route 44 corridor, commercial development continues at an aggressive pace, with the Pembrooke area projected to become the new Virginia Beach "downtown."

In Norfolk, the development of the 225,000-square-foot Virginia World Trade Center on the waterfront is nearing completion, and the Rouse Company's Waterside (similar to Baltimore's Harborplace) opened in summer 1983. Complementing this activity is the proposed development of the Cousteau Oceans Center, the world headquarters, international museum and exhibition center of the Cousteau Society. In addition to these specific developments, the current Administration's commitment to defense spending has stimulated activity associated with the concentration of naval, shipbuilding and other defense-related installations throughout the Norfolk/Virginia Beach area.

In response to the growing year-round strength of lodging demand, a number of projects have recently opened, are under construction or are proposed for the near future. Among these are the 202-room Holiday Inn-Executive Center, which opened in late 1982. Construction of a 90-room addition is expected to begin this fall. A 300-room Duntley Hotel, adjacent to the Arts and Conference Center, opened in June 1983. In addition to catering to local and seasonal demand, the property will act as the headquarters facility for the conference center.

Along the Route 44 corridor, a 110-room Red Roof Inn and a 150-room Quality Inn are under construction and scheduled to open in late 1983. Construction of a 250-room Hilton at Landsdale Circle in Norfolk is expected to begin in late 1983. Also proposed are another moderately priced commercial hotel and two all-suite projects on the Norfolk/Virginia Beach border. A 300-room first-class property is proposed for the Norfolk waterfront adjacent to the World Trade Center.

Despite the development of these new properties, annual occupancies and average rates should continue to increase in the Norfolk/Virginia Beach area in 1983. Resort-related demand continues to generate high occupancies during the lengthening tourist season. With the expanding commercial base providing increased support during the off-season months, additional opportunities are being created for the more competitive properties on a year-round basis.

James C. Fisher
Washington, D.C.

From Orlando

The opening of Walt Disney World's Experimental Prototype Community of Tomorrow (EPCOT) on October 1, 1982, significantly increased area occupancy rates. Since the opening of the $800 million project, Disney officials have twice made upward revisions of the projected combined attendance at EPCOT and the Magic Kingdom. The current projection of 25 million attendees in fiscal 1983 is double fiscal 1982's attendance count of 12.56 million. The impact of this increased activity has overwhelmed Orlando area lodging facilities and created turnaway demand that is being captured by hotels as far away as Daytona Beach and Tampa.

The opening of the 325,000-square-foot Orange County Convention Civic Center (located midway between Orlando and Walt Disney World) in March 1983 has created additional lodging demand. To date, 80 conventions with 170,000 delegates have been confirmed for 1983 and 1984. A factor that has limited the booking of more major conventions is the lack of convention-oriented hotels within walking distance of the center. Once such properties are built, additional growth in convention group meeting demand is expected.

A recent national study rated the overall business climate in Florida as the best in the continental United States for general manufacturing. Furthermore, a recent Florida Department of Commerce study ranked Orlando as the most attractive business site within the state. These studies, coupled with the recent $450 million expansion at Orlando International Airport, have generated national and regional interest in Orlando. As a result, there has been increased commercial/industrial development activity in both the Maitland, Altamonte Springs and airport/Orlando Central Park areas. Overall, the opening of the Orange County Convention Civic Center and the growing commercial and industrial sector

should help to diversify Orlando's lodging demand base and reduce its dependence on tourist demand.

The greater Orlando area's 1982 occupancy level was 69 percent, a 5.5 percent increase over 1981. This was attributable to the strong occupancies achieved after the opening of EPCOT. Average room rate in 1982 was $39.02, a 4.8 percent increase compared with 1981. In January, February and March 1983, area lodging facilities experienced occupancies of 79.5, 94.7 and 97.4 percent, increases of 56.8, 25.1 and 34.1 percent respectively over the same months in 1982. Year-to-date occupancies for the first quarter of 1983 were 90.4 percent compared with 70.3 percent in 1982, a 28.6 percent increase. Room sales per occupied room in the first quarter of 1983 were $43.81, a 9.5 percent increase over the same period in 1982.

For the remainder of 1983, it is expected that demand for area lodging accommodations during peak tourist periods will continue to exceed available supply. New hotel development activity, which is expected to ease the current supply and demand imbalance, appears to be concentrated in six areas.

- Disney World. Officials at Walt Disney World are planning several additions to existing lodging facilities, as well as a new 600-room New Orleans-theme hotel. The additions, totaling 650 rooms, are scheduled for completion in 1986. The new hotel is expected to open in mid-1987.
- Lake Buena Vista area. The 870-room Buena Vista Palace opened on March 1, 1983, with 300 available guest rooms and was fully operational by June 1. An 814-room Hilton Hotel currently under construction is scheduled for completion in early 1984. Current plans for the Cypress Walk development adjacent to Lake Buena Vista include a 750-room Hyatt Regency scheduled to open in mid-1984. Construction has begun on a $6.5 million 203-room Days Inn at Interstate 4 and State Road 535.
- New EPCOT Interchange. Marriott has purchased 188 acres for a proposed 1,500-room resort hotel and an 18-hole golf course in the northeastern quadrant of the interchange. Site preparation is underway and a mid-1986 opening date is projected. Additional future hotel development activity is expected at the interchange to help satisfy EPCOT demand.
- Florida Center, International Drive. Plans for Plaza International (the development surrounding the new convention center) include 5,000 to 8,000 hotel rooms to be built by 1990. To date, a 221-room Days Inn and a 200-room Rodeway Inn are under construction and will open during 1983. A 177-suite Brock Residence Inn is projected to open in 1985. A 1,088-room Quality Inn under construction north of the convention center will be built in three phases (an initial construction of 340 rooms and two 374-room phases). Belz Enterprises recently announced plans to build and operate a 750-room Ramada Renaissance Hotel across from the Orange County Convention Civic Center. The hotel will be the flagship property for Ramada Renaissance Hotels in Central Florida and will act as a headquarters hotel for the convention center. Sea World has announced plans to build a 784-room luxury hotel directly across from the Sea World complex. Near Sea World, a $20 million, 500-room addition to the Sheraton World's existing 339-room facility was completed recently. The Orlando Marriott, at the intersection of Sand Lake Road and International Drive, recently added 439 rooms to the existing 640-room property. The 190-room Inter-Continental Inn, located on International Drive, is expected to open in 1983.
- Sand Lake Road airport. Two new lodging properties are under construction at Lee Vista, near Orlando International Airport. The 500-room Lee Vista Marriott is expected to open in early 1984 and the 289-room Holiday Inn-Lee Vista in mid-1984. A 500-room hotel, announced as part of the 1.4 million-square-foot Florida Mall project, is projected to open in 1985.
- U.S. Highway 192. Numerous budget-oriented facilities are under construction or proposed. Several existing facilities are planning or constructing room expansions to better accommodate the influx of tourists created by EPCOT.

Overall, the Orlando lodging industry appears to be healthy and capable of absorbing the approximately 5,500 new rooms currently under construction. In the short term, Orlando area operators are expected to enjoy near capacity occupancies during summer 1983 and winter 1984. Over the long term, at least another 9,000 new guest rooms are planned for the area. As room supply continues to grow, attention must be focused on the supply/demand balance to preclude an overbuilt situation reminiscent of 1974 and 1975.

Ted Middleton
Tampa

From Philadelphia

As Philadelphia celebrated its 300th birthday in 1982, the area's lodging industry continued its face lift with the renovation of two major properties, the addition of two new hotels (scheduled for 1983) and the study of a new convention center. The supply of first-class guest rooms remained unchanged from the previous year, at 5,200. However, city-wide occupancy in the low 60 percent range represented a slight decrease from recent years.

During 1982, the 865-room Philadelphia Centre Hotel (formerly the Philadelphia Sheraton), completed a $5 million renovation under the management of New York-based Tollman-Hundley Hotels. Trusthouse Forte completed conversion of the Palace (the former Plaza) from a luxury apartment building into a 300-suite hotel, the only all-suite property in the city. The 451-room Hershey Hotel opened in March 1983, and the 377-room Four Seasons Hotel is expected to open in September. Construction on the 360-room Hotel Rittenhouse, a Vista property, has been halted. Plans for completion are as yet undetermined. A notable project is proposed for the Society Hill area, near the historic attractions for which Philadelphia is famous. Plans submitted by Rouse Associates of Philadelphia for a 365-room Sheraton were chosen by a city selection committee for development of the city-owned tract.

The City Line area, just outside center city, is becoming a mini-convention center with a supply of almost 1,500 rooms. The 581-room Adam's Mark, which opened in April 1983 following

a $40 million renovation and conversion from a Holiday Inn, added more than 15,000 square feet of meeting space to the area. The Adam's Mark joins the Marriott and the now fully-operational Best Western City Line in efforts to attract large conventions.

After a three-year hiatus, the room supply in the area near Philadelphia International Airport is again growing. The Beacon Companies of Boston, in cooperation with the Philadelphia Industrial Development Corporation, recently announced plans for a 254-room suite hotel and a 175-room economy property. The 333-room Marriott was converted from a Sheraton in November 1982.

Three sites are under consideration for a proposed convention center. Proponents of the project emphasize the possibility that it could support the addition of a 200-room property to Philadelphia's expanding room supply.

Anne Senausky
Peter R. Tyson
Philadelphia

From Phoenix

Phoenix continues to strengthen its position as the premier resort destination in the country. The Pointe recently joined Westin's Arizona Biltmore, Marriott's Camelback Inn and The Wigwam as a five-star resort property. The Valley of the Sun now possesses four of the 12 resort hotels in the nation so designated.

Despite the recent expansion of the 500-suite Pointe Tapatio and a 109-room addition to the Arizona Biltmore in October, market occupancy in the valley resorts remained in the 70 percent range during 1982 as the major properties continued to attract group business to bolster summer demand levels.

The resort sector, responding to sustained market strength, will receive at least three significant additions in the next few years, two of which represent the initial Phoenix area ventures of major international hotel operators. The 380-room Loew's Resort is scheduled to open in Paradise Valley in early 1984, while Rockresorts is planning its third domestic operation, in Carefree. The locally-based Gosnell Development Corporation, owner and operator of the Pointe Resorts, plans to construct its third all-suite property at South Mountain in Tempe during 1985.

A positive indicator in the commercial market in 1982 was the dramatic increase in office space in the greater Phoenix area, generated primarily by expansion and relocation of local and regional businesses. More than three million square feet of space were added last year, a 21 percent increase over 1981, and the amount of space leased was the second highest annual figure in history. An additional 2.3 million square feet has been projected for 1983.

The commercial hotel sector appears poised for the anticipated recovery, with increasing interest being demonstrated in the Tempe Sky Harbor International Airport vicinity and along the Camelback corridor. Several projects in these areas are being discussed, most notably a 250-suite property within the Phoenix Gateway Center that will be the flagship of a new chain owned by Suites International. Currently under construction is a 200-suite Granada Royale Hometel, the company's seventh property in the Phoenix-Scottsdale market, affirming the popularity and anticipated longevity of the all-suite concept.

Red Lion's acquisition of the 270-room La Posada (formerly a Del Webb property) and Stouffer's acquisition of the 170-room Alamos Resort Hotel (now called the Cottonwoods) brought two new management groups to Scottsdale in 1982. Hilton now operates two area properties with the acquisition of the former Adams Hotel in downtown Phoenix.

The additions to the lodging supply appear to be well positioned, and, in tandem with the continued commercial and real estate development anticipated, will enhance the appeal of Phoenix as one of the leading lodging growth areas of the 1980s.

Gary Hedges
Anne Senausky
Phoenix

From Raleigh

The Raleigh lodging industry experienced dramatic declines in occupancy in 1982, largely as a result of major supply increases throughout the city. While area-wide occupancy decreased to approximately 60 percent from a 1981 level of 69 percent, the addition of the 362-room Radisson Plaza in downtown Raleigh, the 312-room Raleigh Marriott in Crabtree Valley and several budget properties represented a 16 percent increase in room supply. Supply increased further in early 1983 with the opening of the 277-room North Raleigh Hilton.

Previously characterized by small, limited-service facilities catering to commercial and government travelers, Raleigh now offers several first-class properties with extensive food and beverage and meeting facilities. As a result, Raleigh is becoming increasingly competitive within the regional group-meeting market, and hotel lounges have become the focal points of evening entertainment in the community.

Several budget properties that opened in 1982 and early 1983 have experienced high occupancies serving price-sensitive commercial, tourist, transient and government travelers. The initial success of these properties has elicited substantial interest in additional budget development. Four properties with a total of 364 rooms are proposed for construction in 1983. Other proposed lodging developments include a 150-room Sheraton Inn to be located within Research Triangle Park and a 257-room Ramada Renaissance Hotel near the North Carolina State Fair Grounds.

Although occupancies are down, Raleigh's economy and commercial development remain strong. Research Triangle Park, one of the nation's largest centers of high technology, continues to expand rapidly, attracting a prestigious list of tenants that includes IBM, General Electric, Burroughs-Wellcome, Data General and Hewlett-Packard. Office construction and absorption rates also have remained healthy throughout the area, with 1.8 million square feet added during 1982 and early 1983. The most active sector has been Crabtree Valley. In addition, the recent terminal expansion at the Raleigh-Durham Airport has contributed to increased airline activity, with favorable enplanement projections for the next several years.

With continued commercial

growth, particularly within Research Triangle Park, long-term prospects for hotel development are favorable. The substantial increase in room supply is likely to retard first-class development in the near term. However, strong performance within the budget segment has generated significant interest and should result in construction of a number of new economy-oriented properties.

William J. Spears
Charlotte

David T. Neises
Atlanta

From Richmond

In contrast to occupancy trends in many metropolitan markets, the average occupancy in Richmond climbed slightly to an estimated 68 percent in 1982. However, average rates remained constant or, in some cases, declined to an approximate overall average of $38. Projections for 1983 indicate similar occupancy levels, although at gradually increasing average rates.

As a result of its diverse economic base and cooperative local government, the Virginia state capital has emerged as a major financial and commercial center. It continues to generate an increasing degree of interest from regional developers. A diversified range of major corporate and industrial firms are either based or represented in Richmond and contribute significantly to local guest-night demand. While Henrico and Chesterfield Counties are the primary focus of new commercial development, the downtown Richmond revitalization effort is well underway.

At the center of this effort is Project One, a multi-use development that features a 400-room Marriott Hotel and an adjacent convention center. These facilities are under construction and scheduled for completion in late 1983. The two are expected to attract additional state and regional meeting business to Richmond. Project One has spurred additional redevelopment along the old retail corridor. The most recent undertaking to be announced was the 121,000-square-foot Sixth Street Mall. The 110-shop elevated mall, to be developed by James Rouse, would tie into the new convention center and Marriott Hotel. Construction of the first phase of the $325 million multi-use James Center Project, several blocks from Project One, is scheduled to begin in the second half of 1983.

In 1982, the 200-room Days Inn in the suburban Brookfield Office Park completed its first year of operation. In addition to this property and the existing Holiday Inn and Hyatt Hotel, a 300-unit all-suite hotel is rumored for the Brookfield area. The most recent opening downtown was the Commonwealth Park Hotel, a luxury-oriented 49-suite conversion directly across from the State Capitol. A total restoration planned for the historic Jefferson Hotel is expected to begin by mid-1983. In the eastern suburbs, a 150-room Sheraton Inn is planned for a location near Byrd Airport.

Overall, projections for Richmond indicate a period of continued redevelopment and new commercial construction, focusing on both the old downtown core and the suburbs. Occupancies are expected to remain relatively constant through 1983, while rates begin to increase more rapidly than in the past several years.

James C. Fisher
Washington, D.C.

From St. Louis

Continuing economic pressures contributed to declining occupancy levels and marginal increases in average daily room rates in the St. Louis lodging industry throughout 1982. As a result, lenders were discouraged from participating in hotel development and there were no material additions to lodging supply during 1982.

Performance in 1983 appears to be improving, reflected in stabilized occupancy and greater increases in average daily room rates. Projects begun in late 1981 and 1982 will result in the addition of more than 900 hotel rooms in 1983.

Although there was no new hotel construction in the downtown area in 1982, substantial office building construction and redevelopment activity have created strong interest for future hotel development. Plans for future projects include the following:

- St. Louis-based HBE Corporation has secured financing and announced that it will proceed with construction of a 900-room Adam's Mark Hotel on the site of the Pierce Building at Fourth and Chestnut.
- Oppenheimer Properties, with the Rouse Company, has reportedly obtained the financing necessary to begin redevelopment of historic Union Station. This development will include a 550-room Omni International Hotel and 200,000 square feet of retail space.

Renovation of the lobby and public space at the 875-room Stouffer's Riverfront Towers recently was completed. The hotel, which is managed by Associated Inns and Restaurants Company of America (AIRCOA), has announced plans to replace the Stouffer affiliation with AIRCOA's new "Clarion" designation. Developers of the Gateway Mall office and retail complex are proposing to include a hotel in the project. No definitive announcements have been made regarding size, configuration or affiliation.

Developers are seeking financing for three hotel projects in Laclede's Landing, a redevelopment area of specialty restaurants and 400,000 square feet of office space located along St. Louis' riverfront. The hotels include a proposed Hyatt, Fairmont and Granada Royale Hometel.

While the Midtown area continues to enjoy activity generated by the recently renovated Fox Theatre, the lodging market is declining as a result of a shift in commercial activity to the suburban and downtown areas. Owners of the long-established Chase-Park Plaza Hotel have decided to convert the Park Plaza portion into luxury apartments while continuing hotel operation at the Chase.

Airport lodging facilities exhibited the strongest gains during 1982, continuing into 1983. Trends contributing to this success include increased flight activity generated by TWA's "Hub" operations, the improvement in the quality of airport properties, and national trends toward an increase in meeting activity at airport locations because of the convenience and reduced transportation cost. The 400-room Breckenridge Concourse Hotel opened in June 1983, and shortly thereafter the Breckenridge Hotels Corporation announced the sale of its

ownership interest in the hotel to Stouffer Hotels. A 140-room expansion and renovation of Stan Musial and Biggie's Hilton Inn is anticipated to open in fall 1983.

Despite inactive hotel development during 1982, properties in suburban West St. Louis County continued to outperform other St. Louis lodging properties in both occupancy and average daily room rate. West County properties are relatively well insulated from the fluctuations associated with downtown convention demand, as they benefit from strong commercial and tourist-oriented demand year-round. West County projects recently opened, under construction or being considered include:

- A 130-room Drury Inn located at Interstate 270 and Dorsett Road which opened in July 1983.
- A 225-room executive conference center and hotel being developed by Breckenridge Hotels Corporation, anticipated to open in early 1984.
- A Brock Residence Inn proposed by St. Louis-based Tuteo Development Company to complement office space being constructed on a site east of Interstate 270 in the Westport Plaza area.

Developers of the proposed 150-room Sheraton Hotel in South St. Louis County, to be located at Highway 21 west of Interstate 270, have received approval to issue Industrial Development Bonds to finance construction. Operators of the existing Sunset Plaza office and retail complex have accelerated their activity in the potential development of a lodging facility to be included within the complex.

As reported last year, strong interest continues in lodging development within St. Charles County, Missouri in response to substantial growth and recent corporate commitments by General Motors and other companies to operate there. Recent lodging projects include:

- A 200-room Holiday Inn located off Interstate 70 in St. Peters, Missouri, which opened in June 1983.
- A 40-room economy-style Comfort Inn, affiliated with the Quality Inn franchise system, which opened in Wentzville, Missouri, in June 1983.
- Developers of the 125-acre mixed-use Seventy Corporate Plaza in Wentzville, Missouri, reportedly have received approval to issue bonds to finance a 140-room Sheraton Motor Inn.

Areas of Southern Illinois located east of St. Louis across the Mississippi River experienced the following lodging activity in 1982 and early 1983:

- The 140-room Holiday Inn in Alton, Illinois began operation in late 1982.
- Principals involved in the proposed 150-room hotel at Civic Memorial Airport in Bethalto, Illinois, have suspended development plans as a result of an extremely soft market created by high industry unemployment in the area.
- East St. Louis city officials are studying the potential for development of a hotel within the central business district.

The "Show Me State" conservatism of the St. Louis financial and development community may position the metropolitan area well for future hotel development, as many other cities in the nation are experiencing overbuilt situations. Providing that capital borrowing rates remain relatively stable and the economy continues to improve, the prospect for future hotel construction in the St. Louis metropolitan area will remain strong.

Felix J. Cacciato
St. Louis

From Salt Lake City

Of the 7,600 hotel and motel rooms in Salt Lake City in 1982, approximately half were in first-class hotels located in the downtown area. These hotels reported a combined area occupancy of 71 percent in 1982, a decrease of several points from the prior year. However, the number of rooms sold increased 6 percent for the same period because of the opening of the 518-room Marriott Hotel.

The first-class room supply will increase further during the next several years with the completion of several hotel projects currently planned or under construction. These include the following:

- A 540-room Sheraton Hotel scheduled for completion by late 1983.
- A 400-room Holiday Inn scheduled for completion by early 1985 that will be connected to the Salt Palace Center downtown.
- A 100-room expansion of the Salt Lake Airport Hilton Inn that will be completed by late 1984.

The increased room supply and the completion of a major expansion program at the Salt Palace should enable the local lodging industry to capture more of the convention lodging market. A major test for the area will come in 1984 when Salt Lake City will host the American Legion's national convention.

The Salt Lake Expomart opened in mid-1982 and more than half of the permanent office space already has been rented by major apparel and gift wholesalers. Several regional trade shows were held in the exhibit hall last year. The Expomart is located near the Salt Palace.

Approximately 1.5 million square feet of office space was under construction in the area by December 1982. When completed, this new space will increase total available office space in the area to almost 17 million square feet. A major redevelopment project was begun at the Triad Center in Salt Lake City's historic Gateway District. The multiphased project will encompass 26 acres and take 10 years to finish. It will include more than 4.5 million square feet of office, residential, retail, hotel, historic, entertainment, and recreational space. The first phase, which is in progress, includes a nine-story office building, two 40-story towers offering office space and residential condominiums, and the restoration of the historic Devereaux Mansion.

In 1982, numerous businesses established or relocated their operations and/or headquarters to the Salt Lake Valley. American Express moved its Travelers Cheques operations from the East Coast to Salt Lake City, and several high-technology and transportation companies began or enlarged operations in the area. Western Airlines established the Salt Lake International Airport as its hub location, increasing passenger enplanements more than 42 percent compared with 1981.

Tourism in the Salt Lake Valley continues to center around Temple Square and the nearby ski resorts.

with more than 2.2 million people visiting the historic Temple and Tabernacle in 1982. National Forest Service statistics showed that a total of more than one million skier days were recorded during the 1981-82 season at Alta, Brighton, Solitude and Snowbird. Deer Valley and Park City also reported good winter seasons. Skier-days increased to 1.2 million, a 17 percent increase from 1981. An excellent winter snowfall and the extended airline service contributed to the increased ski business. Because limited lodging accommodations are available at the resorts, the majority of skiers use Salt Lake City lodging facilities during their stays.

Despite the recession, the Salt Lake area economy continued to grow in 1982. With the expanded capacity at the Salt Palace, increased room supply, and business growth in the area, the economy is expected to continue to support lodging industry growth in the future.

J. Ralph Piercy
Las Vegas

From San Antonio

The national recession had a definite impact on San Antonio's lodging industry in 1982. Year-end city-wide occupancy was 67 percent, 6.6 points below the 1981 figure. The recessionary economy affected all major demand segments. Commercial travelers reduced the number and length of stay of their business trips in addition to curtailing their expenses. In the corporate meeting and convention market, the number of attendees declined and some organizations cancelled meetings. There was a reduction in discretionary travel in the tourist market. Economic conditions in Mexico prevented Mexican nationals from coming to San Antonio to shop and vacation.

The 1982 year-end city-wide average rate was $42.94, a 5.5 percent increase over 1981's average rate of $40.69. Increases in average rate by sector of the city ranged from 1.3 percent to 6.6 percent. The smaller increases in average rates in 1982 compared with 1981 appear to have been more closely related to increased costs and competitiveness than to limited room supply.

In 1982, city officials continued their efforts to expand and diversify San Antonio's economy, which historically has been dominated by tourism, conventions and the military. These efforts have targeted labor-intensive industries, such as electronics, medical instrumentation and plastics, that employ semiskilled labor.

Four hotels totaling more than 1,300 rooms opened in 1982, including the 300-room Marriott-North, the 124-room Drury Inn Square, the 115-room Texian Inn, a new Texas-based budget chain and a 112-room Regal 8. In addition, the 205-room Crockett Hotel, 360-room St. Anthony Inter-Continental and 430-room Gunter Hotel were renovating their facilities. Other hotel projects under development could add more than 1,100 new rooms by 1986.

Continued economic growth is projected at a more moderate rate through 1983, as San Antonio and Texas recover from the national recession. However, the growing and diversifying economy is expected to support continued lodging development and growth in demand during the next several years.

Randall T. Hoddle
Houston

From San Diego

San Diego County lodging operators reported an overall occupancy level of 71.7 percent in 1982, down from 73.4 percent in 1981. Room sales per occupied room increased to $53.47, up 10.8 percent from 1981. The number of visitors to San Diego dropped by an estimated 3.7 percent.

Although occupancy declined in 1982 for the second consecutive year, the outlook for San Diego lodging operators continues to be very favorable. During the recent recession, San Diego was able to attract the same level of convention attendance as during 1981. Curtailed commercial travel as well as a decline in the number of vacation travelers are considered to be short-term trends. Area hoteliers already report significant occupancy increases for the first half of 1983 and are optimistic about summer occupancy levels.

Two projects were started during 1982: the 681-room Inter-Continental Hotel and a 120-room Best Western hotel, both of which will be completed in 1983. Several other hotel projects announced during 1982 include the proposed Sheraton Hotel at Torrey Pines Golf Course in La Jolla, the Amtac Hotel and the Marriott Hotel in downtown San Diego, the Ramada Resort in Mission Bay and a major expansion of the Town and Country Hotel in Mission Valley. Additional hotels are likely to be built if a major convention center, which is currently being evaluated for development potential, is constructed.

San Diego is also growing significantly in other areas. In 1982, San Diego became the seventh most populated city in the United States. By the end of 1982, 4.2 million square feet of new office space was added, increasing existing office space to nearly 16 million square feet (a 36 percent increase from 11.7 million square feet in 1981). The region's economic base has evolved from one primarily dependent on the military and the aerospace industry into a more diversified one with strong growth in high technology, medical research and service-related industries.

These economic characteristics combined with a favorable business climate and an outstanding quality of life should support sustained growth in San Diego County's lodging industry.

Jerome A. Morrison
J.B. Rose
San Diego

From San Francisco

Annual occupancy rates at San Francisco's largest hotels dropped to a nine-year low in 1982, but remained ahead of the national average.

Fifty percent of all the hotels in San Francisco, including 24 of the city's first-class hotels, filled an average of 72 percent of their rooms last year, compared with the national average of 64.6 percent. As a result of the upcoming tremendous increase in new first-class hotel rooms in 1983 and 1984, consumers are likely to see a leveling off of room rates – perhaps even a decrease – in the near future. Room rates, which have increased steadily in recent years, rose 6 percent in 1982 to an estimated $88.

Visitors to the city's major hotels remained fairly evenly distributed among individual business travelers (37 percent), tourists (33 percent), and groups and conventions (30 percent).

Although the Democratic Convention and several other factors (i.e., the return of the cable cars and the 1984 Olympics in Los Angeles) promise an upsurge in tourism in 1984, this growth in demand will be more than offset by the opening of four major hotels, adding approximately 2,143 rooms to the existing supply. These hotels include the 1,033-room Ramada Renaissance, the 708-room Meridien, the 264-room Monarch and the 125-room Campton Place.

A 1,500-room Marriott and 10 other hotel projects that may add 5,000 rooms in the next several years also are currently in planning stages. As a result, area-wide occupancy rates at first-class hotels are expected to fall for the next several years and may even approach 1973's record low of 60 percent.

Hotels at Fisherman's Wharf continued to enjoy the highest occupancy levels, filling nearly 80 percent of their rooms in 1982. Nob Hill hotels did the poorest of the city's five major submarket areas, with an average occupancy rate in the mid-60 percent range. In terms of average room rates, however, positions were reversed. Nob Hill's average room rate, above $100, was the highest, while that of wharf-area hotels, in the mid-$70s, was almost the lowest.

The next few years will be difficult, but the San Francisco lodging industry has always been healthy and resilient. As for the proposed projects, we believe they will do their share to generate new business. These new projects represent major investments for national chains such as Ramada and Marriott, which will be exerting tremendous marketing efforts to sell not only their properties but the city as well to increase demand.

Properties at the nearby San Francisco International Airport achieved approximately the same occupancy level in 1982 as in 1981, at 75 percent. This occurred despite the addition of the new 144-room Days Inn in June 1982. The average daily room rate for the market area increased 9 percent.

In July 1983, this area saw the addition of yet another new property, Holiday Inn's 407-room Crowne Plaza. As in the city, a number of new properties and expansions of existing properties, including a 700-room Marriott Hotel and an expansion of AIRCOA's Plaza Airport Inn, are expected for this area in the next few years. However, area-wide occupancy levels are not expected to drop as significantly as in the city.

The area-wide occupancy in the Oakland lodging industry dipped slightly from 78 percent in 1981 to 77 percent in 1982. The area-wide average daily room rate increased 12 percent, the highest percentage of all three of the major sectors in the San Francisco Bay area.

Although no new properties opened in Oakland during 1982, a 75-room expansion of the Airport Hilton was completed in January 1983, and the long-awaited 485-room Hyatt Regency in downtown Oakland was completed in May of this year.

As in the other major sectors of the Bay area, room supply in the Oakland area is expected to increase in the next few years. Additions will include new rooms at the airport and a second major hotel in the downtown area near the Oakland Convention Center and the new Hyatt Regency.

Mary Jo Martin
San Francisco

From San Juan

The hotel industry in Puerto Rico has not shown any significant improvement. The average occupancy rate for fiscal 1981-82 was 60.4 percent, a decrease from 62.3 percent the previous year. Low occupancy rates coupled with rising expenses are hurting hotel operations.

The closing in early 1983 of three hotels (El San Juan, Gran Bahia and Rio Mar) with approximately 1,000 rooms is indicative of an unhealthy industry. Well-informed sources believe this could create a negative reaction in the travel trade. The currency devaluations in Mexico and Venezuela, two important foreign markets, represent an additional threat to the industry.

The government has taken steps to help the tourism industry. The Tourism Company was successful in securing an increase in its budget for promotion and advertising. There is proposed legislation to provide tax incentives to the lodging industry, including exemption from property, municipal and excise taxes for a period of years under certain terms and conditions. In addition, the legislation calls for an investment tax credit on eligible property to encourage reinvestment in the hotel industry.

Despite the current economic situation, two government-owned hotels, Gran Hotel El Convento and Condado Beach Hotel, have been refurbished and reopened under new management.

The San Juan-Puerto Rico Convention Bureau, with its revitalized budget, is actively promoting convention and group activity. It is especially interested in incentive travelers, who are considered to be a very important market. The World Veterans Games, to be held in Puerto Rico in September 1983, were expected to attract approximately 7,000 participants.

With the combined efforts of the government and the private sector, the lodging industry in Puerto Rico should show substantial improvement during the next two fiscal years.

Abimael Sémprit
San Juan

From Savannah

The most notable recent development in the Savannah lodging industry is the proliferation of small inns in the downtown area. This revival of a once dominant form of lodging accommodation is occurring appropriately within Savannah's Historic District, the largest Urban Landmark Historic District in the nation. The inns typically are housed in restored homes from the 18th and 19th centuries, and many offer unusual and complete amenities. For example, the 1790 Inn includes a gourmet restaurant, an authentic neighborhood tavern and functional fireplaces in the guest rooms.

Savannah's economy continued to grow during 1982 despite the national recession. This enabled the lodging industry to absorb the extensive supply increases of the early 1980s with only minor impact on area-wide occupancy. Total area lodging supply increased from about 4,100 rooms in

1981 to 4,250 rooms in 1982. Area-wide occupancy was established to be 70 percent for the year, only a slight decrease from 1981. Proposed future projects include the development of additional small inns and moderate quality and budget motels.

Long one of the nation's major commercial seaports, Savannah has now become a port-of-call for cruise ships. The exposure gained from these visits is expected to increase awareness of the city and neighboring Hilton Head Island, South Carolina, as tourist destinations. Savannah also is emerging as a competitive site for state and regional meetings and conferences.

As the nation looks forward to economic recovery, Savannah's prospects for growth in visitor spending appear impressive. Interest among hotel developers is again strong, and it is likely that Savannah will experience a major new phase of construction in the mid-1980s.

William G. Moeckel
David T. Neises
Atlanta

From Seattle

The Seattle lodging industry reached a turning point during 1982. Additions to the downtown room supply included the 451-room Four Seasons-Olympic Hotel renovation, a new 455-room tower for the Westin Seattle, the 871-room Seattle Sheraton and the 54-room Alexis Hotel. These additions more than doubled the existing supply of first-class rooms. The 576-room Madison Hotel, which opened in mid-1983, should complete the recent wave of major downtown hotel development, bringing the total of first-class rooms to 3,801.

The economy of Seattle and the Pacific Northwest continued to suffer in 1982. High interest rates stifled new residential and commercial construction, further depressing the lumber industry. The Boeing Company continued cutbacks in production as troubled commercial airlines canceled orders for new aircraft. The combination of the economic situation and the significant increase in the room supply caused area occupancies to decline and room rate discounts to grow.

Positive steps are being taken to promote the area lodging industry. Site selection for the $90 million Washington State Convention and Trade Center, to be located in downtown Seattle, continued. The 200,000-square-foot facility could be completed by 1987. This facility, along with the new supply of rooms, should allow Seattle to compete with other major metropolitan areas for group and convention trade.

In 1982, the State of Washington began its first major promotional effort to attract tourists to the region. This $4.5 million national campaign will continue through 1983. An increase in international flights, especially from the Far East (beginning in 1983), should create an awareness of the attractions and opportunities in the Pacific Northwest.

As a major trade center for the Pacific Rim, Seattle is in a good position to strengthen its ties to the Orient, Canada and the rest of the West Coast. The State of Washington is expanding its efforts to develop this industry as competition in world trade grows and becomes increasingly important throughout the decade. This will help strengthen the economy and Seattle's position as the financial and service center of the Pacific Northwest.

Positive changes are expected in 1983 following the trend of declining occupancies and slow growth of average rates experienced during the past few years. New competitors finding their niche in a growing marketplace should ensure long-term growth for the industry in the years ahead.

Craig S. Schafer
Andrew N. Olsen
Seattle

From Southern California

Although not immune from the 1980-82 recession, the Southern Californian economy was diverse enough to prevent strong declines in lodging demand for the greater Los Angeles area during 1982. The combined first-class lodging industries of Los Angeles and Orange Counties experienced a modest 3.3 percent drop in the total number of room nights compared with 1981. The reported area-wide occupancy for 1982 was 72.3 percent, down about five points from 1981. The lodging supply increased 3.5 percent during this same period.

Following the national downward inflationary trend, gains in the average room rate in 1982 slowed from previous years. The average daily room rate for Los Angeles area hotels during 1982 was $61.65, up 6.6 percent from 1981. In 1983, rate increases should be in the 5 to 6 percent range. Substantially higher rate increases are likely in the immediate Los Angeles area in 1984 as a result of strong anticipated demand.

Area hotels are experiencing an increase in the number of business travelers using hotel rooms in 1983. The strong U.S. dollar, however, is encouraging domestic travel abroad and holding back foreign visitors to Southern California tourist attractions. A weak Mexican economy has severely affected Mexican travel to Southern California. Many Japanese visitors are staying home this summer to visit their own new Disneyland instead of coming on a U.S. tour. Overall, the greater Los Angeles area should experience modest growth in lodging demand during 1983.

As Los Angeles gears up for its role as host to the 1984 Summer Olympics, area hotel operators are very optimistic that 1984 will be their best year since 1979. An estimated five million additional visitors are expected in the greater Los Angeles area during summer 1984. In addition, the general economic recovery will certainly have a positive effect on area-wide hotel performance in late 1983 and into 1984.

The Los Angeles metropolitan area is undergoing a boom in hotel construction. By the end of 1983, the first-class lodging supply will increase by 4,785 rooms. Additions in 1984 will total 5,273 new guest rooms. These additions will represent a 26 percent increase in the Los Angeles and Orange County first-class room supply by the end of 1984.

As the competition increases, product differentiation will play an increasingly important role for the successful hotel operator. A marketing strategy that emphasizes up-to-date product, pricing and promotion will be essential. Broadening services (for example, providing complimentary breakfast) may become more common. State-of-the-art technology in telephones, message-taking equipment, television and in-

Los Angeles County (New Properties)

Area	Property	Rooms	Year of Opening
Downtown	Sheraton Grande	494	1983
Los Angeles International Airport	Hilton Hotel	1,307	1983
	Holiday Inn Crown Plaza	612	1984
	Granada Royale Hometel	350	1984
Century City	Century Plaza (addition)	322	1984
Torrance	Holiday Inn (addition)	125	1983
	Marriott Hotel	494	1984
Long Beach	Hyatt Regency	542	1983
Universal City	Sheraton Premiere	518	1983
Westlake Village	Westlake Plaza Hotel	264	1983
La Mirada	Holiday Inn	300	1984
West Hollywood	Le Valadon	138	1984
	Le Dufy	121	1983
	Le Mondrian	240	1984
	Le Clarion	200	1984
Santa Monica	Holiday Inn Bayview (addition)	126	1984
Total		6,153	

Orange County (New Properties)

Area	Property	Rooms	Year of Opening
Anaheim	Emerald Hotel	513	1983
	Marriott Hotel (addition)	300	1983
	Hilton Hotel	1,637	1984
City of Orange	Doubletree Inn	460	1984
Fullerton	Holiday Inn (addition)	100	1983
Irvine	Marriott Hotel	501	1983
Newport Beach	Mendien Hotel	474	1984
Laguna Niguel	Monarch Ritz-Carlton Hotel	420	1984
Total		4,405	

house movies, fast check-in and check-out, and personalized touches will be a few of the differentiating tools used by the hotel industry.

Thomas M. Goff
Gordon R. Watkins
Los Angeles

From South Florida

In 1982, South Florida's lodging facilities achieved an average annual occupancy rate of 60.1 percent and an average room rate of $64.71. This represented an 8.2 percent decline in occupancy and an 8.8 percent increase in room rate compared with 1981 lodging statistics. Despite the decline in occupancy, total room sales increased a slight 0.2 percent in 1982. When adjusting revenue for inflation, it becomes evident that 1982 was a relatively stagnant year for South Florida's lodging industry. We predict little, if any, improvement in 1983.

The new year should see area occupancy near 60 to 62 percent. Average room rates should show little increase. Discussions with area hoteliers indicate that many are not planning to increase rates in 1983. With little change expected in double occupancy, average room rates for South Florida should maintain their 1982 levels.

Those properties with major market presence and/or those that have reinvested profits to fund continued refurbishment and upgrading are expected to maintain occupancy levels in the face of difficult economic factors. Additionally, we consider the major properties to be competitive enough to increase rates to some extent. However, as discussed previously, the opportunity for the area lodging industry as a whole to achieve higher average room rates in 1983 may be limited.

Within the various sectors of South Florida, we consider West Palm Beach and Fort Lauderdale to be the strongest performers in occupancy and expect properties there to display the largest increases in average room rates in the forthcoming year. Because of the decline in foreign visitors, Miami Beach properties probably will not reach the occupancy levels achieved in 1982. While the downtown Miami sector probably will show declines in occupancy percentages (which is mainly attributable to the development of a large number of first-class hotel units), overall occupied room nights should increase significantly as the market perception of downtown Miami improves. With respect to the Miami International Airport sector, we anticipate that occupancy rates will decline compared with 1982 levels as a result of major lodging additions in an already mature market.

While the South Florida lodging industry is being affected by the overall U.S. and world recessions and the strengthening U.S. currency on world markets, making a U.S. vacation more expensive to foreign travelers, the area should maintain demand levels and average room rates achieved in 1982. The development of almost one million square feet of office space in downtown Miami, construction of first-class hotel properties throughout South Florida, and a concerted effort by local government and citizen committees to promote tourism will facilitate the area's reputation as a prime resort and commercial destination in the domestic and international markets.

M. Chase-Burritt
Miami

From Tampa

The 1982 recession had little effect on the hospitality industry in the Tampa Bay area. Commercial and industrial bases strengthened in Tampa, and tourist activity remained strong in the beachfront sectors of Pinellas County.

The area's 1982 occupancy of 59.2 percent was approximately 3.7 percent below the 1981 level of 61.5 percent. After a slow January, during which area occupancy declined more than 14 percent, the hotel industry experienced a temporary comeback. For the winter months of February, March and April, which account for approximately one-third of the area's annual guest-night demand, occupancies improved about 1 to 2 percent compared with the same months in 1981.

This increase resulted in part from the lower cost of air and automobile travel, generally fair weather, increased advertising in the Northern and Midwestern United States, and a slight increase in the number of foreign visitors. However, for the remainder of 1982, area occupancies declined every month, ranging from a 2.2 percent decline during October to a 9 percent decline during July. These declines were attributable to several factors, including the depressed national economy, rising unemployment, fewer international summer tourists because of the strength of the U.S. dollar abroad, and an increase in room supply. Representative additions to room supply during 1982 included the 540-room Tampa Hyatt Regency Hotel, which opened in June in downtown Tampa. This convention-oriented hotel is currently the area's largest hotel. The 240-room Tampa Airport Hilton opened in November. Located halfway between Tampa Stadium and Tampa International Airport, this hotel caters primarily to the commercial and small-meetings market.

Most new hotel developments are proposed for the airport, Westshore, downtown and eastern sectors. Proposed projects include:

Pinellas County

- A $20 million 200-room Holiday Inn and a 250,000-square-foot office complex near the Showboat Dinner Theatre on Ulmerton Road. Completion is targeted for summer 1985.

Airport/Westshore

- A $75 million 400-room luxury hotel and office complex along the shore of old Tampa Bay, just west of Tampa International Airport. Completion is projected for early 1985.
- A 225-suite hotel to be located along Westshore Boulevard just south of Interstate 275. Construction is expected to begin in mid- to late 1983.
- An $18 million 280-suite Granada Royale hotel is planned for a site along Cypress Street near the Holiday Inn-Cypress. Completion is scheduled for late 1984.
- A $200 million mixed-use development called "TampaSphere" to be located at the intersection of Dale Mabry Highway and Interstate 275, expected to include a 600-room luxury hotel, one million square feet of office space and a 6,400-space parking garage. The total project is expected to take about seven years to complete.
- A $100 million office and hotel complex to be located on the site of Bill Watson's International Inn at the intersection of Kennedy and Westshore Boulevards. Construction of the proposed 300-room luxury commercial hotel and 500,000 square feet of office space, to be called Urban Centre, is scheduled to begin in 1983.

Downtown

- A 300-room luxury commercial hotel proposed as part of Phase I of the Harbour Island development project. The 177-acre island, south of downtown Tampa, is one of the largest undeveloped tracts of land in the United States located near a major metropolitan area. Additional plans for Phase I include 90,000 square feet of retail space and nearly 200,000 square feet of office space. Construction is scheduled to begin in the latter half of 1983, with completion expected in early 1985.

East Tampa

- A 109-room Red Roof Inn, located at Interstate 4 and U.S. 301, expected to open in May 1983.
- A 114-room La Quinta Motor Inn at Interstate 4 and 50th Street scheduled to open in March 1984.

With completion of the I-75 bypass in 1986, new lodging facilities are expected to be built to accommodate the resulting commercial expansion and demand in East Tampa.

The average hotel room rate in the Tampa Bay area during 1982 was $40.17, a 7.9 percent increase over 1981's average rate of $37.22. This increase was significantly lower than in previous years, as a result of declining inflation and increasing competition. Food and beverage sales per occupied hotel room increased 4 percent during 1982 to $26.41.

Overall tourist demand declined to 8 percent, while commercial and convention group-meeting demand increased slightly. Busch Gardens, the area's most visited tourist attraction, reported a 3.5 percent increase in attendance, primarily as a result of expanding local patronage. The trend of taking shorter vacations closer to home continued through 1982.

Beginning in January 1983, the Florida Division of Tourism began airing television spots in approximately 25 major markets in the Northeast and Midwest to attract more winter tourists. The Pinellas Tourist Development Council extended its marketing campaign one month to generate more interest in that area. The major airlines cut fares dramatically for the period from early January to the first week in February (as in 1982) to motivate people to travel during that traditionally slow period. Tourism officials agree that the television ad campaign and the airfare "price wars" helped somewhat during the 1982 and 1983 winter seasons.

International tourism in the area is expected to remain stable during 1983, partially because of the strength of the U.S. dollar. Canada, a major source of tourism to the area, has major economic problems. Despite similar situations throughout Europe, the overseas market appears to be broadening.

For the first quarter of 1983, area occupancy was 78 percent, a 3.6 percent increase compared with 1982 attributable to the lower cost of air and automobile travel and an improving national economy. The first quarter 1983 average room rate increased 6.5 percent to $50.65. During the remainder of 1983, occupancies are expected to increase slightly over 1982 levels, and the increase in room rates is expected to be less than 10 percent for the second consecutive year.

Area hoteliers are cautiously optimistic about the 1983 summer tourist season, during which the first real impact of Walt Disney's EPCOT Center on area hotels should be felt. The selection of Tampa as the site for the 1984 Super Bowl is an indication that Tampa "has arrived" as a major metropolitan area.

Gary Rentrow
Ted Middleton
Tampa

From Tucson

Despite the national recession and an economic downturn in Mexico, development continued in the moderate and upscale sectors of the Tucson lodging industry, with more than 1,000 guest rooms added to the supply in 1982.

The Tucson International Airport area has attracted attention and experienced the highest concentration of development. Recent projects there include the 200-room Granada Royale Hometel, the 150-room Best Western Inn at the Airport and a 300-room Holiday Inn Holidome owned and operated by John Q. Hammonds. By 1985, the airport will have completed a $65 million renovation and expansion project planned to double the size of its terminal facilities. Passenger traffic increased nearly 8 percent over the 1981 level.

Most notable of the new properties in Tucson is the Sheraton El Conquistador, a 440-room resort hotel that opened in late 1982 and is quickly establishing Tucson as a desert resort destination. Other prominent lodging developments include the acquisition of the Westward Look Resort by RKO and Cal Rossi and a $3 million renovation of the public space of the 300-room Doubletree Inn.

Interest in future hotel development is concentrated in the full-service resort market. Cottonwood Properties and Westin Hotels are considering a 400-room property in the foothills area. Other active sites include Tucson National and Estes' Flying V Ranch.

Accelerated commercial and residential development is expected to continue on Tucson's east side, catalyzed by the extension of Kolb Road through to the airport. The Hartford Group recently purchased the 110-acre Williams Center site, while Cienega intends to develop the Tucson Gateway Center on a 190-acre site. Both Hartford and Cienega plan mixed-use developments incorporating hotel, office, retail and residential space.

Tucson remains a prominent site consideration for relocation of regional and national headquarters. California-based Garrett AiResearch is bringing its research and development facility to the northwest section of the city and is expected to employ approximately 4,000 persons at that location.

The recession-driven decline in Tucson's copper industry, until recently a major aspect of the area's economic base, and the realization that Tucson's climate and topography are comparable to those of Palm Springs and Scottsdale, has caused city officials and lodging operators to place stronger emphasis on tourism as a major focus for future expansion. Their shared optimism regarding Tucson's resilience, coupled with current and expected development, is a positive sign for the area's long-term outlook. We believe Tucson will be a strong factor in the desert resort market by the late 1980s.

Steve Schwartz
Anne Senausky
Phoenix

From Tulsa

Occupancy in the Tulsa area lodging industry declined to 63 percent in 1982 compared with 77 percent in 1981, while average room rates increased about 11 percent. The occupancy decrease is attributable to the 23 percent increase in room supply during 1982, with total occupied guest-nights increasing less than 1 percent.

Major additions to room supply that opened in late 1981 or during 1982 include:

- The 418-room Trusthouse Excelsior downtown.
- A 69-room addition to the Williams Plaza downtown.
- A 309-room Directory Hotel adjacent to Oral Roberts University on the south side of Tulsa.
- 485 budget lodging rooms near the airport and the southeastern area.

The rapid growth in demand experienced during recent years leveled off abruptly in 1982, as the national recession finally affected the Tulsa economy. Compounding this was a significant decline in oil and gas development and production activity with the drop in crude oil prices. However, year-end unemployment for the area reached only 6 percent compared with the 9.7 percent national rate. Office space development continued, but at a more moderate pace than in 1981.

Major projects under construction, primarily in the southern and southeastern portions of the city, include:

- The 407-room Sheraton Kensington hotel, part of a major multi-use office, hotel and retail project.
- A 100-suite Brookhollow Inn.
- A 341-room Marriott Hotel.
- The 186-room Lexington Apartment and Motor Inn.

Several additional hotel projects are planned for the future, including:

- A 371-room Doubletree Hotel planned as part of the Warren Place development, which will include 2.7 million square feet of office space.
- The 319-room Hilton Hotel-Airport.
- Restoration of the Mayo Hotel in downtown Tulsa to a 333-room first-class property.

Existing operators and developers of new properties in Tulsa look forward to the long-awaited national economic recovery and resumption of oil- and gas-related activity. Such recovery, returning demand growth rates to the high levels experienced historically, will be necessary if the lodging industry is to absorb significant recent and anticipated additions to room supply.

Jeffrey K. Marvel
David J. Durden
Kansas City

From Washington, D.C.

The nation's capital typically has remained somewhat insulated from the economic fluctuations that have affected other major metropolitan areas. However, this was not the case for the area lodging industry in 1982. Occupancies dropped nearly 9 percent to an overall average of 63 per-

cent. The most significant impact was recorded in the District of Columbia itself, where the average occupancy declined about 12 percent.

In addition to the recession, which affected both domestic and international travel to Washington, area occupancies were affected by two other factors. The 1981 inaugural year brought increased travel to Washington in connection with the incoming Administration. Consequently, the 1982 decline appears greater when compared with the higher than normal occupancies achieved in early 1981.

Secondly, more than 3,500 new rooms were added to the area room supply in late 1981 and during 1982, including two new Marriott Hotels, the Vista International Hotel and the 688-room Crystal City Hyatt Regency, Virginia's largest hotel. This considerable increase in supply at a time when overall demand was soft further depressed area-wide occupancies. An additional 1,700 rooms are scheduled to open in 1983, including a 775-room Marriott on Pennsylvania Avenue near the National Theater and the 320-room Holiday Inn-Crown Plaza in Rockville. Five more projects representing 1,200 additional rooms, including the area's first Brock Residence Inn, two Embassy Suite hotels and the luxury-oriented Regent Hotel, are under construction and scheduled to open in 1984.

Despite the decline in occupancy in 1982, average rates in the greater metropolitan area increased 5 percent to $62, while rates in the District climbed 9 percent to $73. Rates are expected to continue increasing as recently opened properties move into their second operating year.

The Washington Convention Center, which opened in January 1983, will be one of the most significant influences on future occupancy trends in the area. The facility is expected to attract more than 350,000 delegates to Washington annually by 1985, creating a totally new source of demand for lodging accommodations. In addition, commercial development in the area continues at an aggressive rate, both downtown and in the suburbs. With the Federal government, more than 2,000 national association headquarters and a number of historical tourist attractions, Washington attracts a wide range of visitors, both domestic and foreign. International business activity continues to focus on the concentration of foreign embassies and institutions such as the World Bank and International Monetary Fund. Because of the strength and diversity of demand, hotels in the Washington area are expected to experience a gradual recovery in occupancy during the next one to two years.

W. Wesley Ayre
James C. Fisher
Washington, D.C.

THE U.S. LODGING INDUSTRY

By Mark V. Lomanno
Research and Development
Philadelphia, Pennsylvania

Introduction

This is Laventhol & Horwath's 51st annual in-depth analysis of the lodging industry. Over that time, this report has become recognized as the single most authoritative study on the U.S. lodging industry available today. The information provided in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods. In addition, supplementary information on source of business, composition of lodging demand and other marketing statistics also is presented. This information is useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

In preparing this year's study, Laventhol & Horwath distributed 3,000 questionnaires to the firm's practice offices in February and March 1983. In addition, we contacted several major chains to obtain information about the properties they operate. L&H's Research and Development Division subsequently obtained data for nearly 800 properties. After careful review for reasonableness and accuracy, we selected nearly 600 questionnaires for use in compiling the data for this study. This represents a broad cross section of the industry with total sales in excess of $4 billion in 1982. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 42 different groups. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics along with credit and collection data also are presented.

Bases of statistics

The statistics presented in the report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratio to total sales. Readers not familiar with L&H's lodging industry reports, especially those who are not well acquainted with hotel financial statements, are advised to read carefully "Bases and Significance of Hotel Statistics," which is Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley & Sons. This material is essential to understanding and using the statistical information in this report.

Most of the figures used in this study are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since not all establishments reported data for each line. We also use the arithmetic or weighted means where appropriate. For example, the figures in "The U.S. Lodging Industry Dollar" (page 37) are based on weighted means to express absolute values rather than the relative position of the operating results of the establishments in the samples, which are shown by the medians and quartiles. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

Profile of contributors

Exhibit 1 defines the typical contributor to this study based on various measures of central tendency such as the mean, median and mode. As the exhibit shows, the typical contributor is fairly representative of the large number of properties in the United States that were built in the last decade, particularly in sales volumes and number of rooms. Typically, it is affiliated with a chain. While the majority of the contributors were profitable during 1982, the percentage reporting a loss was up 2.1 percent from 1981.

The highlights of this year's study, again using the various measures of central tendency, are shown in Exhibit 2. Occupancies fell sharply for the entire sample in 1982, dropping 5.8 percent to 66 percent, the largest decline we have reported since 1958. This decline was in line with expectations as L&H's monthly *National Trend of Business in the Lodging*

Industry reported similar drops in occupancy throughout 1982. However, the reported 11.3 percent rise in the average daily rate was somewhat surprising in light of the significant decline in guest night demand. The net result of the dramatic increase in room rates was that operators were able to offset declining occupancies and record a 7.5 percent increase in total sales per room. However, this increase in revenue did not translate into bottom line profits as increases in costs (particularly payroll and related expenses and fixed costs) were on the rise. Consequently, profit margins fell sharply as income before income taxes decreased more than 47 percent on a per room basis.

Exhibit 1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built between 1970 and 1980
Size	300–600 Rooms
Occupancy	60%–69%
Average Rate	$45–$54.99
Sales Volume	$5 million–$10 million
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales was less than 50% of room sales
Other Management Operation Results	Affiliated with a chain; reported net income before income tax in 1982

Exhibit 2
Highlights*

- Total revenue increased 7.5 percent on a per room basis to $16,519.
- Room occupancy declined 5.8 percent to 66.0 percent compared with 70.1 percent in 1981.
- The average daily rate per occupied room was $43.55 compared with $39.14 in 1981, an increase of 11.3 percent.
- Payroll and related expenses per room increased 17.7 percent from $4,531 to $5,334.
- Income before income taxes decreased 47.3 percent on a per room basis to $1,049. As a ratio to total sales, income before income taxes was 7.0 percent in 1982, down moderately from last year's 9.7 percent.

* Based on medians.

Based on an allocation of total revenue and expenses as reported this year, Chart 7 illustrates the source and distribution of the U.S. lodging industry dollar in 1982 compared with the previous year. While guest room rentals were responsible for the largest proportion of total revenue, this percentage fell in 1982 for the first time since 1977. All other sources of revenue increased in relation to total sales except rentals and other income, which remained the same as in 1981.

With the exception of food costs, which declined only slightly, and administrative and general expenses and rent, property taxes and insurance, which dropped sharply, all other operating expenses showed increases over last year. The sharpest increases were for departmental expenses and interest, up 19.6 percent and 25 percent respectively. Also accounting for a moderately larger share of the lodging industry dollar were payroll and related expenses, depreciation and marketing costs. With a majority of operating expenses requiring more of total revenue than in the previous year, income before income taxes fell sharply. This reflects the impact on the lodging industry of the overall poor health that was evident in most sectors of the U.S. economy in 1982.

Market data

Information on source of business, the composition of market, the percentage of advance reservations and the source and composition of advance reservations was provided by nearly 40 percent of the contributors to this study. For this group of properties, 91.7 percent of the demand for rooms stemmed from domestic sources while 8.3 percent came from foreign sources. The percentage of foreign travelers to these hotels declined from the 13.5 percent of total demand this segment provided in 1981. A possible cause for the softening of foreign demand was the relative strength of the U.S. dollar against most major foreign currencies. The strength of the dollar made it advantageous for Americans to travel abroad but less attractive for foreign travelers to come to the U.S. While people traveling for business continued to be the primary source of demand, the ratio has dropped substantially over the past two years. Business travelers represented 52 percent of overall demand in 1980, but in 1982 this percentage had dropped to 37 percent. While this trend is primarily the result of the extended recession, it also may indicate a subtle change is in store regarding the future level of business travel. Tourists make up the second largest portion of the market for

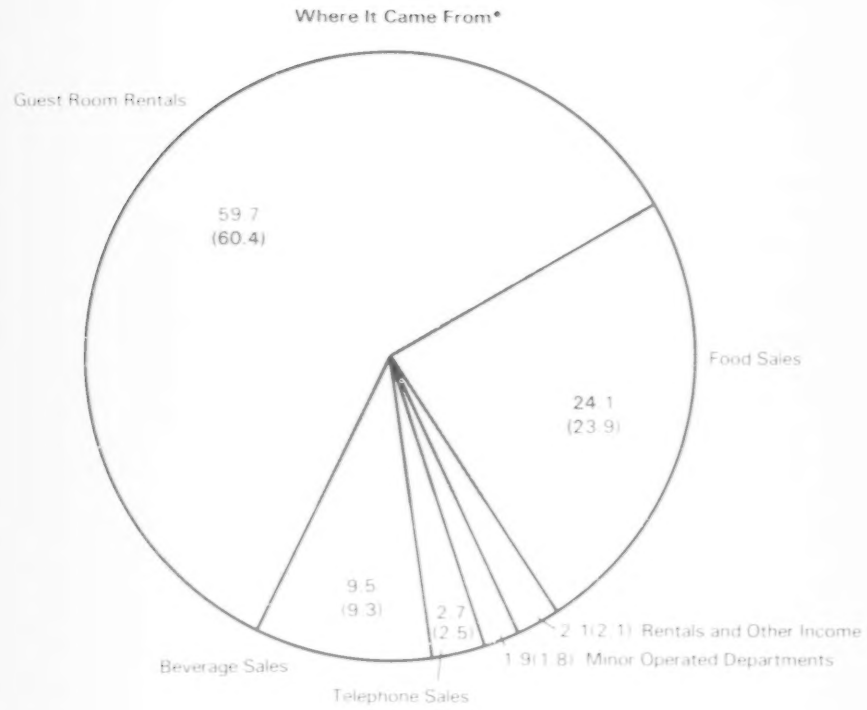
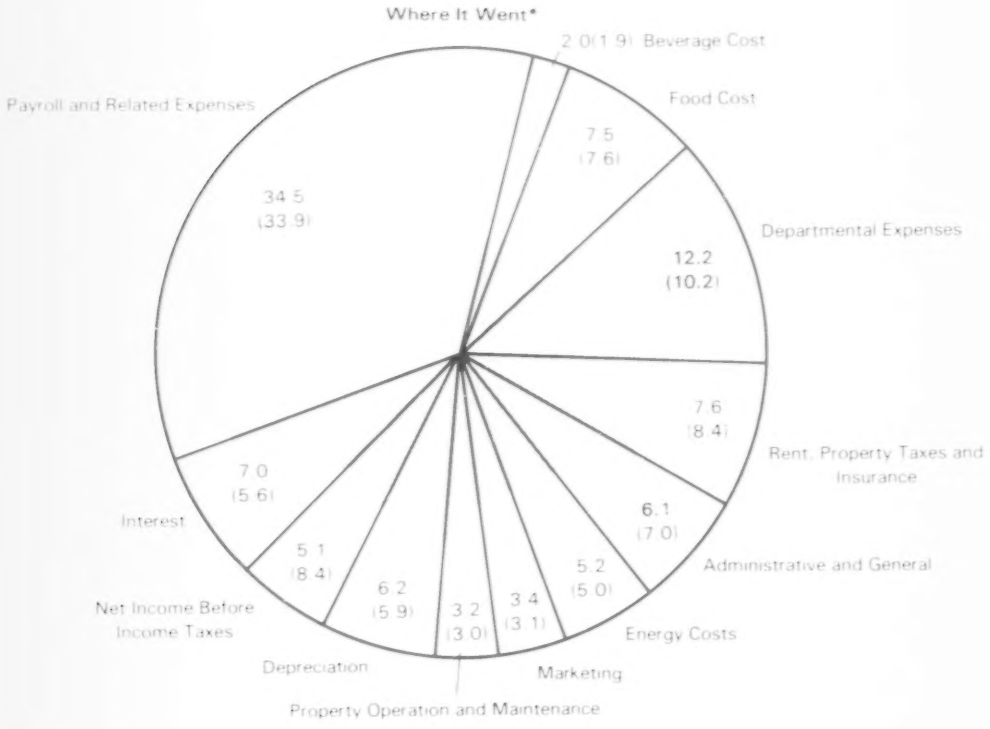


Chart 7: The U.S. Lodging Industry Dollar 1982



*Based on the weighted mean 1981 amounts (in parentheses)

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commercial lodging in the United States and contributed 32.6 percent of the demand in 1982.

Exhibit 3 provides this information by location, by those properties that cater primarily to conference participants and by those that do not derive a large portion of their business from conference participants. In this analysis by market, a convention property was defined as a facility with 40 percent or more of its business stemming from conference participants. While both center city and resort properties showed drops in the percentage of guests derived from foreign sources, they both still reported a considerably higher number of foreign guests than properties located in other areas. The percentage of repeat business displayed more variability by location than it has in past years, ranging from 57.3 percent for airport properties to 36.2 percent for resort properties. Again, this was probably because of the volatile nature of the U.S. economy in 1982.

Resort properties continued to derive the majority of their guests from the tourist segment, but both center city and airport properties reported significant increases in the percentage of guest night demand generated by tourists in 1982. The center city properties that provided this information showed an increase of 59.4 percent in the ratio of tourist demand, and airport properties were not far behind, reporting an increase of 53.2 percent in this ratio. With business travel declining, it was not surprising that all location segments recorded declines in the level of business travel.

The percentage of advance reservations was high-

Exhibit 3
Market Data*

	Location					Market	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Source of Business							
Domestic	90.0%	94.7%	95.3%	95.6%	85.6%	92.0%	91.7%
Foreign	10.0	5.3	4.7	4.4	14.4	8.0	8.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	41.7%	57.3%	55.1%	46.9%	36.2%	42.7%	48.0
Composition of Market							
Government Officials	4.3%	2.2%	4.1%	4.9%	1.0%	1.6%	4.1%
Businessmen	32.4	44.8	52.6	49.4	11.6	19.5	41.2
Tourists	28.7	33.1	21.9	28.8	56.9	22.9	35.0
Conference Participants	27.7	17.0	17.6	10.6	27.3	52.8	13.5
Other	6.9	2.9	3.8	6.3	3.2	3.2	6.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	83.6%	76.7%	79.4%	59.2%	87.2%	91.7%	74.6%
Composition of Advance Reservations							
Direct	42.2%	37.4%	38.7%	44.5%	43.8%	42.7%	41.2%
Reservation Systems	29.5	33.9	30.9	32.5	19.9	24.4	29.9
Travel Agents & Tour Operators	17.4	15.4	13.7	12.5	28.7	19.2	17.2
Other	10.9	13.3	16.7	10.5	7.6	13.7	11.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	9%	10%	4%	5%	20%	8%	6%

*Based on those supplying detail

est for convention-oriented properties, primarily because of the long lead time necessary for reserving sufficient space in a hotel. At the other end of the spectrum are highway properties, which derive more than 40 percent of their demand from impulse decisions by travelers. Direct inquiries to the hotels were the most dominant source of advance reservations for all segments, with travel agent and tour operations having a significant impact at resort properties and reservations systems within the establishment or through an independent system exhibiting broad-based popularity.

Exhibit 4 shows the nationality of guests staying in establishments located in different regions of the country. For the properties that provided the information, Canadians were by far the primary source of international guests. This dominance was evident in every region except the South Central, where Mexican travelers were the primary source of foreign demand. Every year since L&H began making this analysis, Canadian and Mexican travelers have represented the two most significant groups of international travelers to the United States. However, this changed in 1982 with the Japanese replacing the Mexicans as the second largest group of international travelers to this country. Travel restrictions instituted by the Mexican government were the primary reason for the dropoff in this segment. The contributing hotels also reported significant drops in the level of demand by Central and South American travelers.

Exhibit 4
Nationality of Guests*

		By Area				
	All Establishments	North East	South East	North Central	South Central	West
U.S.A.	87.4%	89.0%	84.6%	94.3%	87.1%	79.7%
International	12.6	11.0	15.4	5.7	12.9	20.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Nationalities — Ratio to Total International						
Canadian	31.8%	23.5%	32.7%	37.1%	20.4%	41.9%
Japanese	13.4	20.0	2.4	16.4	7.5	25.3
Mexican	12.5	3.0	4.1	6.5	34.3	8.7
British	8.8	11.7	14.1	7.7	5.6	5.5
South American	8.0	6.1	19.7	1.7	7.1	0.5
Other European	5.3	7.0	2.9	5.6	5.0	7.1
German	4.8	6.1	5.4	8.6	4.7	2.0
French	3.4	7.4	5.2	4.7	1.7	0.9
Middle Eastern	3.0	2.6	4.0	1.3	6.2	0.4
Central American	2.6	1.3	4.4	0.9	4.5	0.4
Other Asian	2.4	4.8	0.7	3.0	1.9	3.3
Scandinavian	1.4	.9	2.4	2.6	0.7	0.7
Australasian	1.2	1.3	0.6	1.3	0.2	2.6
Italian	1.1	3.0	1.1	2.6	0.2	0.5
African	0.3	1.3	0.3	0.0	0.0	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those supplying detail.

Performance measurements

The next eight exhibits (5-12) present several of the key performance measurements used to gauge the overall health of the industry. Exhibit 5 compares (for selected categories) the median amounts of total sales, income before fixed charges and net income before income taxes for 1982 and 1981. In past years, comparisons by rate group have had to accommodate changes in the parameters of the rates in order to have a statistically relevant breakdown. But for this year's report we were able to employ the same breakdown used in the 1982 edition.

For the entire sample, total sales per room increased 7.5 percent from 1981 to 1982. An analysis of total sales by the selected categories does not reveal any major surprises. Properties with more than 600 rooms reported the highest total sales per room, while those that experienced occupancies in excess of 80 percent reported the largest increase in this measure, at $3,085 per room. In general, operators were not able to translate increases in total sales to the bottom line as income before fixed charges fell 6.3 percent and net income before income tax

Exhibit 5
Comparison of Sales and Profitability by Selected Criteria
Median Amounts Per Room

	Total Sales		Income Before Fixed Charges		Net Income (Loss) Before Income Tax	
	1982	1981	1982	1981	1982	1981
Age						
Built Pre-1940	$26,032	$23,267	$2,511	$5,484	$(533)	$1,328
1940-1959	15,000	14,139	4,433	3,827	1,488	109
1960-1969	14,438	18,062	4,318	4,547	1,807	965
Post-1969	16,842	21,143	4,788	5,134	815	326
Size						
Under 150 Rooms	$12,837	$10,875	$3,811	$4,264	$ 862	$1,645
150-299	16,359	15,547	4,154	4,670	1,096	1,362
300-600	23,618	22,210	5,789	6,067	1,359	1,736
Over 600	28,986	27,306	7,146	7,816	639	1,927
Rate						
Less than $35.00	$ 9,980	$ 9,991	$2,850	$3,295	$ 769	$1,032
$35.00-$44.99	14,980	15,842	4,154	4,827	1,476	1,859
$45.00-$54.99	19,146	20,360	4,596	5,562	1,141	1,437
$55.00 and Over	28,776	30,490	7,477	8,721	1,275	2,884
Occupancy						
Under 50%	$12,343	$ 9,265	$1,145	$ 956	$(1,680)	$(2,029)
50-59%	14,080	11,998	2,680	2,765	(446)	(96)
60-69%	16,447	14,122	4,258	3,650	861	485
70-79%	18,083	18,280	5,970	5,799	2,108	2,095
80% & Over	19,721	16,626	7,053	6,507	4,050	3,848
Restaurant Not Operated	$ 9,588	$ 9,673	$4,457	$4,596	$1,666	$2,005
Restaurant Operated - Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	$14,769	$14,357	$4,509	$4,785	$1,792	$1,973
50-74%	19,402	18,570	4,557	4,678	211	937
75-99%	22,515	23,655	4,443	5,062	(134)	296
100% & Over	24,251	27,866	2,766	5,289	(2,767)	258
Median - All Establishments	$16,519	$15,364	$4,430	$4,728	$1,049	$1,545

dropped a severe 32.1 percent. The only establishments that showed consistent increases in both income measurements were the higher occupancy properties. For most selected categories and their breakdowns, the key performance measurements shown in this exhibit reflect how difficult 1982 was for most segments of the U.S. lodging industry.

Exhibit 6 presents the ratio of income before fixed charges to room sales and to total sales, as well as the number of times the average rate was earned for 1982 and 1981. With the exception of the larger and newer properties, most of the various groups reported a decline in profit margins for the year. A decline in all three measures was reported for the entire sample, with the ratio of income before fixed charges to total sales falling from 29.6 percent in 1981 to 26.9 percent in 1982. Declines in these efficiency measures were widespread and, with the exception of the previously stated categories, nearly all of the groups were affected adversely in 1982.

Exhibit 6
General Statistics

	Ratio of Income Before Fixed Charges to:				Number of Times Average Rate Was Earned	
	Room Sales		Total Sales			
	1982	1981	1982	1981	1982	1981
Age						
Built Pre-1940	20.7%	37.5%	9.4%	21.7%	47	95
1940–1959	39.0	41.1	26.8	26.8	106	98
1960–1969	45.0	50.8	29.0	35.0	111	104
Post-1969	45.8	44.3	30.7	25.9	126	113
Size						
Under 150 Rooms	42.8%	49.7%	29.0%	32.0%	113	134
150–299	42.1	44.2	26.9	28.4	109	115
300–600	43.2	45.7	24.1	27.9	112	125
Over 600	46.7	47.0	26.9	26.7	122	118
Rate						
Less than $35.00	40.8%	46.4%	28.3%	35.5%	104	119
$35.00–$44.99	44.1	47.8	27.8	30.9	112	124
$45.00–$54.99	42.5	43.2	25.2	26.7	105	112
$55.00 and over	43.1	50.0	25.6	28.2	122	134
Occupancy						
Under 50%	18.1%	16.2%	8.4%	10.4%	44	36
50–59%	32.7	33.9	19.8	20.3	74	73
60–69%	41.7	42.5	26.5	25.4	106	99
70–79%	49.8	49.4	31.9	31.7	136	136
80% & Over	53.1	55.0	35.0	42.1	172	171
Restaurant Not Operated	51.9%	54.3%	45.6%	49.4%	146	164
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	44.1%	46.0%	30.5%	32.0%	113	122
50–74%	39.4	41.6	22.9	24.0	109	108
75–99%	40.4	41.4	20.7	23.3	111	104
100% & Over	30.0	49.3	9.8	19.1	89	113
Median, All Establishments	43.0%	46.8%	26.9%	29.6%	111	123

Exhibits 7 and 8 provide several measures of return on investment (ROI) normally used to gauge management performance. The results presented in these tables are based on a much smaller sample of properties because of the reduced number that provided the detail necessary for the computations. To be included in this analysis, the questionnaire had to contain the relevant balance sheet information. In addition, we included only those that owned the land, building and equipment. Otherwise, the figures would have been distorted because of the off-balance sheet financing being used in the lodging industry today. For those properties that did meet our stringent requirements for inclusion in this analysis, turnover (sales per dollar of total assets) and the earnings ratio (ratio of net income before taxes to

Exhibit 7
Return on Total Assets*

	Turnover	Earnings Ratio[2]	Rate of Return or (Loss)[3] 1982	1981
Age				
Built Pre-1940	$ .98	14.0%	13.7%	11.2%
1940–1959	.74	11.3	8.4	6.8
1960–1969	.71	7.4	5.3	10.1
Post-1969	.80	10.2	8.2	10.6
Size				
Under 150 Rooms	$1.07	8.7%	9.3%	12.7%
150–299	.70	6.0	4.2	8.4
300–600	.84	10.3	8.7	8.7
Over 600	.61	14.1	8.6	15.2
Total Sales				
Less than $2,500,000	$ .83	15.1%	12.5%	9.4%
$2,500,000–$4,999,999	.78	6.5	5.1	12.8
$5,000,000–$9,999,999	.69	5.9	4.1	7.1
$10,000,000 & Over	.74	11.2	8.3	10.2
Restaurant Not Operated	$ .57	14.1%	8.0%	18.9%
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales				
Under 50% of Room Sales	$ .84	11.2%	9.4%	13.7%
50–74%	.68	4.3	2.9	7.2
75–99%	.91	9.9	9.0	8.5
100% & Over	.63	**	**	6.5
Median: All Establishments	$ .76	9.5%	7.2%	10.6%

[1]Total sales divided by total assets.
[2]Ratio of net income before income tax or (loss) to total sales.
[3]Turnover times earnings ratio — all figures are computed.
*All figures are medians.
**Insufficient data.

total sales) declined considerably compared with 1981. Turnover declined from $.87 to $.76, while the earnings ratio fell from 12.2 percent to 9.5 percent. The net result of these declines was a sharp drop in return on assets from 10.6 percent to 7.2 percent. The rates of return on invested capital (interest-bearing debt plus equity and stockholders equity) are shown in Exhibit 8. Again, for the properties that provided sufficient detail, the return on invested capital and the return on equity declined sharply from 1981 to 1982. For both measures, performance at the reporting properties was approximately half of that attained in the previous year.

Exhibit 8
Return on Investment*

	Return on Invested Capital[1]	Return on Equity[2]
Age		
Built Pre-1940	**	**
1940–1959	**	**
1960–1969	7.0	10.1
Post 1969	15.1	10.5
Size		
Under 150 Rooms	7.0	10.0
150–299	15.4	10.1
300–600	**	**
Over 600	16.3	**
Occupancy		
Under 50%	**	**
50–59%	**	**
60–69%	7.6	13.7
70–79%	15.1	10.1
80% & Over	9.6	15.6
Restaurant Not Operated	21.2	**
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales		
Under 50% of Room Sales	12.6	17.3
50–74%	7.0	10.1
75–99%	3.1	2.7
100% & Over	**	**
Median, All Establishments—1982	9.8%	10.3%
Median, All Establishments—1981	17.3	22.0

[1]Ratio of net income after income tax, but before interest, to total interest bearing debt and equity.
[2]Ratio of net income after income tax to stockholders' equity.
*All figures are medians.
**Insufficient response.

Exhibit 9
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy		Percentage of Double Occupancy		Average Room Rate	
	1982	1981	1982	1981	1982	1981
Age						
Built Pre-1940	57.4%	63.7%	37.9%	40.3%	$64.35	$55.74
1940–1959	66.5	66.0	56.6	46.4	38.52	42.41
1960–1969	66.0	71.9	42.7	40.0	39.27	44.76
Post-1969	66.4	66.5	42.0	33.8	41.08	48.63
Size						
Under 150 Rooms	67.4%	73.3%	46.8%	46.4%	$34.82	$30.91
150–299	66.0	69.1	36.0	35.8	40.63	39.28
300–600	65.6	70.1	39.6	39.0	56.91	50.68
Over 600	65.7%	66.9%	45.7%	39.6%	$69.27	$62.72
Area						
Northeast	71.0%	73.3%	25.6%	28.6%	$52.55	$47.50
Southeast	65.4	67.5	54.7	48.6	45.95	45.12
North Central	61.8	62.6	34.3	35.5	40.36	38.52
South Central	68.5	77.3	39.7	45.1	37.41	32.29
West	71.9%	78.0%	47.7%	49.3%	$49.27	$46.27
Total Sales						
Less than $2,500,000	64.8%	67.8%	42.7%	44.4%	$33.83	$30.98
$2,500,000–$4,999,999	68.9	72.6	38.6	36.0	42.63	40.97
$5,000,000–$9,999,999	64.7	70.1	33.4	34.0	52.79	48.77
$10,000,000 & Over	70.4	71.9	44.8	40.9	71.45	64.78
Restaurant Not Operated	70.9%	81.5%	48.0%	46.4%	$32.16	$28.53
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	69.6%	70.9%	40.8%	40.0%	$40.32	$38.42
50–74%	65.2	67.6	37.5	31.9	49.43	45.55
75–99%	62.5	63.5	33.6	35.4	50.82	49.21
100% & Over	57.3	65.4	40.8	35.8	48.46	46.37
Median, All Establishments	66.0%	70.1%	40.1%	40.6%	$43.55	$39.14

*All figures are medians

The percentages of occupancy and double occupancy and the average room rate (room sales per occupied room), perhaps the three most commonly used measures of trends in the lodging industry, are shown in Exhibit 9. For the entire sample, occupancy declined sharply from 70.1 percent in 1981 to 66 percent in 1982. Of the various categories, all but those properties built between 1940 and 1959 reported a decline from the previous year's results. Properties in the South Central U.S. experienced particular difficulty in 1982, as they labored under the combined burdens of a faltering economy, a depressed oil and gas industry and a dramatic decline in Mexican travelers. Interestingly, in the percentages of occupancy analysis, results by ratio of total food and beverage sales to room sales, the percentage of occupancy declined as food and beverage sales increased. This may be the result of properties depending more on room revenue and therefore concentrating an equally proportionate amount of their time and energy on effective operations and marketing of their primary revenue generator. These efforts are reflected in higher occupancy rates during difficult economic periods.

For the entire sample, the average room rate jumped 11.3 percent to $43.55. Of the various groups, 21 of the 22 showed increases in the average daily rates, with the highest rates being reported by the largest properties and those with total sales in excess of $10 million.

The next three exhibits (10–12)

reveal several of the key performance measures by various breakdowns. Exhibit 10 shows the difference between those reporting net income before income taxes and those reporting a net loss. Exhibit 11 shows the difference between the chain-operated establishments and those that are operated independently. Exhibit 12 provides a comparison by the various locations and how their performance stacks up against last year. One of the key indicators of profitability is the percentage of occupancy. By this measure, Exhibit 10 shows that the net income properties were clearly ahead of the net loss properties. Surprisingly, this higher level of activity did not translate into significant higher revenue per room, as the net income group reported revenue only 2.4 percent above the net loss properties. Also of note were the higher levels of revenue per room generated by both food and beverage sales in the net loss group. While these findings may seem unusual, they are consistent with results documented in Exhibit 9, where it was reported that the higher the level of food and beverage sales, as a ratio to room sales, the lower the reported occupancy. The major factor separating the net income group from the net loss group was their reported levels of expenditures. This is particularly evident in fixed costs, as the properties operating in the red reported 37.8 percent higher costs in this area.

Chain-affiliated properties consistently reported lower payroll and related expenses, undistributed expenses and fixed charges than independent properties, as

Exhibit 10
Net Income Differential*

	Lodging Facilities Reporting		
	Net Income	Net Loss	Net Income Facilities Differs By
Occupancy	71.6%	57.2%	25.2
Double Occupancy	42.2	38.3	10.2
Average Rate	$ 41.16	$ 39.72	3.6
Amount Per Available Room			
Sales			
Rooms	$10.668	$8.543	24.9
Food	2.979	3.752	(20.6)
Beverage	1.495	1.652	(9.5)
Other	747	730	2.3
Total Sales	$15.873	$15.502	2.4
Payroll & Related Expenses	4.609	5.563	(17.1)
Undistributed Expenses (Excluding Payroll)			
Administrative & General	$ 792	$ 926	(14.5)
Marketing	491	567	(13.4)
Energy Costs	871	977	(10.8)
Property Operation & Maintenance	509	506	0.6
Income Before Fixed Charges	5.116	2.054	149.1
Fixed Charges	2.425	3.896	(37.8)
Net Income (Loss) Before Income Tax	2.232	(1.500)	
Number of Times Rate Was Earned	125	70	78.6
Net Cost of Operation Per Dollar of Average Room Rate	$134	$159	(18.7)
Ratio of Income Before Fixed Charges to:			
Room Sales	47.5%	25.1%	89.2
Total Sales	31.9	15.4	107.1
Cost of Food Sales (After Credit For Employees' Meals)	35.0¢	36.6¢	(4.4)
Cost of Beverage Sales	21.7	23.4	(7.3)
Food and Beverage Departmental Income Ratio to Room Sales	7.3%	6.1%	19.7
Productivity Index			
Food & Beverage	2.39	2.29	4.4
Total	3.34	2.72	22.8
Balance Sheet Ratios			
Current Position	$ 1.08	$ .56	92.9
Accounts Receivable Ratio to Total Sales	2.7%	2.6%	3.8
Food Inventory Turnover	25	25	0.0
Beverage Inventory Turnover	7	8	(12.5)
Ratio of Total Sales to Total Assets	92.7%	65.2%	42.2
Ratio of Net Income Before Income Taxes to Total Sales	15.1%	(10.2)%	
Return on Total Assets	14.0%	(6.7)%	

*All figures are medians.

Exhibit 11
Independent and Chain Affiliated*

	Independent	Chain-Affiliated	Independent Differs By
Occupancy	62.0%	66.9%	(7.3)
Double Occupancy	33.0	42.2	(21.8)
Average Rate	$ 54.73	$ 40.60	34.8
Amount Per Available Room			
Sales			
Rooms	$11,803	$10,002	18.0
Food	5,285	3,142	68.2
Beverage	1,956	1,473	32.8
Other	1,504	744	102.2
Total Sales	$20,730	$15,798	31.2
Payroll & Related Expenses	8,287	4,846	71.0
Undistributed Expenses (Excluding Payroll)			
Administrative & General	$ 1,170	$ 762	53.5
Marketing	615	363	69.4
Energy Costs	1,147	882	30.0
Property Operation & Maintenance	709	511	38.7
Income Before Fixed Charges	3,315	4,575	(27.5)
Fixed Charges	4,162	2,901	43.5
Net Income (Loss) Before Income Tax	$ 27	$ 1,377	(98.0)
Number of Times Rate Was Earned	88	119	(26.1)
Net Cost of Operation Per Dollar of Average Room Rate	$ 145	$ 137	5.8
Ratio of Income Before Fixed Charges to:			
Room Sales	37.2%	45.3%	(17.9)
Total Sales	22.9	29.0	(21.0)
Cost of Food Sales (After Credit for Employees' Meals)	35.8¢	35.6¢	.6
Cost of Beverage Sales	23.6	22.2	6.3
Food and Beverage Departmental Income Ratio to Room Sales	9.0%	6.7%	34.3
Productivity Index			
Food & Beverage	2.38	2.38	0.0
Total	2.65	3.23	(18.0)
Balance Sheet Ratios			
Current Position	$ 1.12	$ .95	17.9
Accounts Receivable Ratio to Total Sales	3.2%	3.3%	(3.0)
Food Inventory Turnover	23	27	(14.8)
Beverage Inventory Turnover	5	7	(28.6)
Ratio of Total Sales to Total Assets	97.9%	75.6%	29.5
Ratio of Net Income Before Income Taxes to Total Sales	3%	8.6%	(96.5)
Return on Total Assets	3%	6.5%	(95.4)

*All figures are medians

shown in Exhibit 11. For payroll and related expenses, this difference was more than 70 percent. This ability to maintain lower expenditure levels enabled managements of the chain-affiliated properties to earn a much higher income before fixed charges and net income before income tax. While both the percentages of occupancy and double occupancy were considerably higher in the chain-affiliated properties, the average room rate was much higher in the independent properties. The higher average rate permitted managements of the independent properties to achieve a total sales per room figure 31 percent higher than their chain-affiliated counterparts. However, as stated above, managements of the independent properties were unable to carry this revenue to the bottom line since expenses were considerably higher.

As Exhibit 12 shows, the occupancy rate dropped sharply for all location breakdowns with the exception of resort properties, which reported a 7.5 percent increase to 69 percent. The turnaround in occupancy was so dramatic for the resort properties that in one year they went from reporting the lowest percentage occupancy of the five location breakdowns to reporting the highest. Higher occupancy plus moderate rises in the average room rate enabled the reporting resort properties to increase total sales per room to $23,923. Cost of operations for these establishments rose only moderately in 1982, enabling the reporting properties to post gains both in income before fixed charges and net income before income tax. This contrasts with the other location breakdowns, which reported declines in both measures.

Exhibit 12
Comparison of Data by Location*

	Center City		Airport		Suburban		Highway		Resort	
	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981
Occupancy	64.2%	67.0%	66.0%	72.1%	68.8%	70.7%	66.0%	71.6%	69.0%	64.2%
Double Occupancy	36.0	38.3	29.0	31.0	41.4	35.7	41.0	41.0	71.6	75.0
Average Rate	$ 56.12	$ 48.48	$ 44.98	$ 38.58	$ 38.09	$ 38.38	$ 38.09	$34.63	$ 55.62	$ 51.37
Amount Per Available Room										
Sales										
Rooms	$12.462	$11.273	$10.444	$10.162	$ 9.632	$10.116	$ 9.264	$ 9.356	$13.724	$12.078
Food	4.422	3.687	3.386	3.055	3.218	3.020	2.457	2.482	6.230	5.398
Beverage	1.783	1.592	1.581	1.355	1.763	1.525	1.308	1.291	2.112	2.137
Other	1.018	1.197	746	938	731	857	625	802	1.306	1.212
Total Sales	$19.920	$18.037	$16.475	$13.814	$13.645	$16.406	$14.648	$13.911	$23.973	$21.319
Payroll & Related Expenses	7.725	5.974	5.390	4.174	4.385	4.857	4.148	3.927	9.268	6.895
Undistributed Expenses (Excluding Payroll)										
Administrative & General	909	1.159	881	1.153	633	921	722	1.001	1.113	1.555
Marketing	747	565	550	473	356	298	284	363	1.074	678
Energy Costs	1.140	916	857	748	830	809	864	728	1.358	1.207
Property Operation & Maintenance	643	538	517	436	483	510	486	431	718	659
Income Before Fixed Charges	4.403	4.876	4.576	4.935	4.413	5.067	4.155	5.016	5.562	4.601
Fixed Charges	4.065	3.281	3.181	2.545	2.512	2.468	2.452	2.507	3.330	3.593
Net Income (Loss) Before Income Tax	$ 156	$ 1.271	$ 478	$ 2.358	$ 1.623	$ 1.930	$ 1.521	$ 2.257	$ 1.315	$ 908
Number of Times Rate Was Earned	97	106	119	134	125	139	112	136	123	103
Net Cost of Operation Per Dollar of Average Room Rate	$ 144	$ 141	$ 136	$ 139	$ 133	$ 131	$ 128	$ 132	$ 143	$ 139
Ratio of Income Before Fixed Charges to:										
Room Sales	38.2%	42.8%	45.5%	47.1%	46.9%	51.8%	46.2%	50.4%	40.5%	43.1%
Total Sales	23.1	26.8	26.3	33.5	31.6	33.9	30.1	30.6	24.9	24.3
Cost of Food Sales (After Credit For Employees' Meals)	33.6¢	34.3¢	35.4¢	34.8¢	36.8¢	36.2¢	36.7¢	36.5¢	33.8¢	35.1¢
Cost of Beverage Sales	21.6	21.9	21.1	21.7	23.6	23.2	21.8	22.8	21.9	22.8
Food & Beverage Departmental Income Ratio to Room Sales	7.0%	6.8%	10.0%	8.2%	8.8%	7.0%	7.1%	7.8%	9.2%	10.5%
Productivity Index										
Food & Beverage	2.16	2.22	2.46	2.55	2.53	2.48	2.54	2.62	2.51	2.50
Total	2.80	2.98	3.23	3.45	3.43	3.47	3.32	3.42	3.05	3.08
Balance Sheet Ratios										
Current Position	$ 1.01	$ 95	$ 91	$ 89	$ 95	$ 89	$ 86	$ 96	$ 90	$ 91
Accounts Receivable Ratio to Total Sales	3.5%	4.0%	2.8%	3.1%	2.9%	3.2%	2.3%	2.6%	4.6%	3.3%
Food Inventory Turnover	25	25	24	23	30	22	14	20	25	22
Beverage Inventory Turnover	6	7	8	9	8	9	7	9	7	8
Ratio of Total Sales to Total Assets	71.9%	92.6%	71.9%	81.1%	73.2%	123.4%	85.3%	94.9%	71.9%	91.4%
Ratio of Net Income Before Income Taxes to Total Sales	8%	10.4%	4.2%	20.4%	12.4%	11.3%	8.7%	13.7%	5.0%	11.4%
Return on Total Assets	6%	9.6%	3.0%	16.5%	9.1%	13.9%	7.4%	13.0%	3.6%	10.4%

*All figures are medians

Analysis of operated departments

The next eight exhibits (13-20) show the results of the various operated departments. Exhibits 13 and 14 illustrate the composition of sales in relation to total revenue and the amount per guest day. Exhibits 15 through 19 provide information on the rooms, the food and beverage, telephone and minor operated departments.

Exhibit 13 shows the composition of sales for selected categories based on the arithmetic means in order to establish absolute values. In each category, the largest portion of revenue was derived from the rooms department. Of the various groups, the relative contribution of the revenue-generating departments was generally consistent. Some exceptions of note were the larger contributions by rentals and other income in the resort properties and minor operated departments in highway properties. However, the sharpest contrast was evident in the analysis by the ratio of food and beverage sales to room sales. In that group of properties, the contribution by the rooms department declined as the properties

Exhibit 13
Composition of Sales*

	Age				Size				Location	
	Built Pre-1940	1940-1959	1960-1969	Post-1969	Under 150 Rooms	150-299	300-600	Over 600 Rooms	Center City	Airport
Rooms	51.3	67.7	66.5	61.5	64.8	63.6	57.5	59.7	61.6	65.7
Food	30.0	17.6	19.6	22.4	20.7	21.5	25.9	24.2	23.8	19.5
Beverage	11.1	7.3	8.5	9.6	8.7	9.5	10.0	8.8	8.8	9.9
Telephone	2.2	3.1	3.0	2.5	2.4	2.9	2.5	2.8	2.9	2.8
Minor Operated Departments	3.1	3.5	1.5	1.7	1.8	1.4	2.2	1.9	1.3	1.2
Rentals & Other Income	2.3	.8	.9	2.3	1.6	1.1	1.9	2.6	1.6	.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.
**Data for these properties were excluded from all other categories.

Exhibit 14
Sales Per Guest Day*

	Location					Market		Those Reporting	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other	Net Income	Net Loss
Rooms	$42.04	$37.07	$30.30	$27.06	$38.49	$44.15	$35.05	$32.98	$35.27
Food	17.35	15.12	14.42	8.23	18.71	24.57	14.40	11.31	17.18
Beverage	6.47	6.26	6.48	4.47	6.30	8.76	5.79	4.72	7.00
Telephone	1.94	1.83	1.28	1.14	1.45	1.93	1.55	1.38	1.62
Minor Operated Departments	1.08	.55	.64	.70	4.49	4.48	1.16	1.23	1.92
Rentals & Other Income	1.41	1.51	1.70	.51	1.61	2.30	1.21	1.13	1.24
Total	$70.29	$62.34	$54.82	$42.11	$71.05	$86.19	$59.15	$52.75	$64.23

*Based on arithmetic mean.

derived more revenue from their food and beverage operations.

Exhibit 14 presents a breakdown of departmental sales per guest day. In previous reports, this information was presented on the basis of departmental sales per guest stay. The reader is cautioned to keep this in mind when comparing this data to that presented in past reports. Lodging establishments that cater to conference participants reported the highest level of sales per guest day, at $86.19. This was more than in any other breakdown analyzed and is a full $27 more than the nonconvention properties. Also noteworthy in this exhibit were the higher levels of sales generated by the net loss properties compared with the net income group, which was particularly surprising because the higher levels of income were evident in every department. This would seem to indicate that those properties reporting a net loss were attracting adequate levels of guests and revenue but were not effective in controlling operating costs and, therefore, unable to translate high levels of revenue into bottom line profits.

Location			Restaurant Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales				Reporting	
Suburban	Highway	Resort	Restaurant Not Operated**	Under 50%	50 74%	75 99%	100% & Over	Net Income	Net Loss
62.8	57.6	61.9	89.9	71.5	57.9	49.8	40.9	66.0	58.7
21.5	24.8	22.6	0	16.8	25.2	30.3	36.5	19.6	24.8
10.0	9.0	9.8	0	6.5	10.8	13.5	14.7	8.6	10.4
2.6	2.1	3.0	1.5	3.0	2.7	2.2	1.8	2.7	2.7
1.1	4.4	.8	.8	1.1	1.4	2.8	3.9	1.6	2.1
2.0	2.1	1.9	7.8	1.1	2.0	1.4	2.2	1.5	1.3
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Rooms department operations

The median amounts per room and the ratio to total sales for the primary revenue and expense items in the rooms department are shown in Exhibit 15 by the various size categories. As the size of the property increased, both revenue and expenses also moved upward. However, with the exception of those properties with fewer than 150 rooms, the relationship between revenue and expenses remained surprisingly constant. Therefore, as revenue increased, expenses tended to increase at approximately the same rate, remaining relatively constant at about 26 percent of net room revenue. Also evident in this exhibit is the larger properties' diminished

Exhibit 15
Rooms Department
Median Amounts Per Room and Ratios to Sales*

	Size			
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Revenue				
Room Sales	$8,862	$9,834	$13,139	$16,810
Allowances	(76)	(75)	(78)	(101)
Net Revenue	8,829	9,780	12,997	16,800
Departmental Expenses				
Payroll & Related Expenses	1,681	1,739	2,272	2,871
Commissions	26	62	140	165
Contract Cleaning	21	19	27	72
Linen	112	113	122	136
Laundry & Dry Cleaning	55	105	220	262
Operating Supplies	225	204	254	256
Other Operating Expenses	111	88	92	83
Reservation Expense	105	104	138	201
Uniforms	15	17	27	35
Total Expense	2,457	2,538	3,418	4,346
Net Departmental Income	$6,063	$7,377	$ 9,626	$12,582
Ratio to Total Sales				
Net Revenue	70.3%	65.9%	58.1%	60.4%
Payroll & Related Expenses	13.2	11.3	9.9	10.5
Net Departmental Income	50.1	48.7	41.9	43.1

*All figures are medians and do not necessarily add to totals shown.

dependence on room revenue. Net revenue, as a ratio to total sales, tends to decline as the size of the properties increase.

Exhibit 16 provides information about the cost of the various room expenses per occupied room per day within the various occupancy groupings. Payroll and related expenses declined as the occupancy rate increased, illustrating that these costs are probably fixed to a certain extent. All of the occupancy groups reported increases in total departmental expenses per occupied room per day compared with 1981. Interestingly, the largest increases were reported by the highest and lowest occupancy groups.

Exhibit 16
Rooms Department Expenses
Per Occupied Room Per Day* — By Occupancy

	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Payroll & Related Expenses	$ 9.94	$ 8.10	$ 7.74	$ 7.06	$ 7.32
Commissions (Including Travel Agents)	.37	.27	.31	.28	.36
Contract Cleaning	.22	.10	.10	.08	.09
Laundry & Dry Cleaning	1.03	.64	.62	.70	.64
Linen	.41	.48	.50	.51	.49
Operating Supplies	1.09	.94	.91	.93	.88
Other Operating Expenses	.45	.39	.36	.41	.38
Reservation Expense	.60	.54	.52	.47	.38
Uniforms	.10	.08	.08	.09	.08
Total — 1982	$15.40	$11.94	$11.11	$10.57	$11.04
Total — 1981	$11.29	$10.06	$ 9.42	$ 9.71	$ 8.77
Increase (Decrease)	36.4%	18.7%	17.9%	8.9%	25.9%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Restaurant operations

An analysis of the food and beverage department is presented in Exhibits 17, 18 and 19 (pages 53–57). The ratios to food and beverage sales for selected groups are shown in Exhibit 17; statistics of sales per rooms and per seat, average receipt per guest and other measurements are presented in Exhibit 18. The major components of operating cost, the cost of sales and cash payroll (typically called the "prime cost"), are shown for the sample in Exhibit 19.

Exhibit 17 contains the departmental ratios for operations with low and high food and beverage sales, low and high occupancy, those reporting net income and net loss and those catering primarily to conventions.

For the reporting properties, 1982 was the second consecutive year of declining performance in the food and beverage department compared with year-earlier results. Prior to 1981, the reporting properties had shown steady improvement in key measures of department performance. However, during the past two years, a disturbing reversal of that trend has begun. For the entire sample, the departmental income was 17.7 percent of total food and beverage revenue during 1982 compared with 18.4 percent in 1981. This falls far below the 25 percent of total sales that typically is used in the industry as a benchmark of whether the department is producing enough earnings to cover its fair share of the overhead costs of operating the property. An analysis by each category reveals that all groups failed to exceed even 20 percent of total sales. Generally poor productivity appears to be the major reason for these results as the productivity index also declined from last year's levels in each of the categories included in this exhibit.

An extensive analysis of the key performance measures relating to the food and beverage departments is presented in Exhibit 18. Sales per room, sales per seat, average checks and similar statistics are provided for selected groups by size, by restaurant volume in relation to room sales, by location and for those properties catering primarily to conventions. The size of the property has a significant impact on the reported levels of these various measures. As the size of the property increases, food and beverage sales per room, the average check, dining room covers per seat and room service sales per occupied room and per guest increase as well.

While some of the differences are the result of higher sales per room in the dining room, the bulk of the differences can be attributed to the sales generated by the banquet facilities. Not only are the larger properties more likely to provide banquet facilities, but their facilities also tend to be larger than in the smaller properties. Because of the makeup of their demand, properties that cater to conventions tend to provide larger banquet facilities than their counterparts that do not.

Exhibit 19 presents the cost of sales and cash payroll, also referred to as the prime cost, analyzed by food and beverage sales as a ratio to room sales. Each group, with the exception of those properties with the lowest food and beverage sales, reported a reduction in the prime cost from 1981 compared with 1982. The latter group also reported the highest prime costs.

Exhibit 17
Restaurant Operations—By Selected Criteria*

	Food & Beverage Sales Ratio to Room Sales		Occupancy		Establishments Reporting		Market
	Under 50%	100% & Over	Under 50%	80% & Over	Net Income	Net Loss	Convention
Sales							
Food	71.4%	71.6%	71.7%	73.9%	70.5%	70.9%	73.3%
Beverage	29.4	28.6	28.4	26.8	30.0	29.9	26.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales							
Cost of Food Consumed	36.7%	38.2%	39.7%	35.1%	36.6%	39.3%	36.7%
Less Cost of Employees' Meals	(2.9)	(3.2)	(3.9)	(2.4)	(2.5)	(3.5)	(3.9)
Cost of Food Sold	35.3%	36.2%	35.7%	34.0%	35.0%	36.6%	32.9%
Cost of Beverages Sold	21.8	23.6	23.6	21.6	21.7	22.4	21.5
Total Cost of Sales	31.4%	32.5%	33.1%	30.4%	30.9%	32.5%	30.4%
Gross Profit	68.6%	67.5%	66.9%	69.6%	69.1%	67.5%	69.6%
Public Room Sales	3.7	1.6	2.7	2.9	2.9	2.2	1.6
Other Income	2	8	5	2	2	4	8
Total	73.0%	68.7%	69.3%	73.0%	72.6%	70.3%	72.0%
Departmental Expenses							
Payroll & Related Expenses	45.5%	38.0%	48.2%	40.8%	41.9%	43.6%	42.1%
China, Glassware, Silver & Linen	1.5	1.5	1.4	1.5	1.5	1.5	1.9
Contract Cleaning	3	3	4	3	2	2	6
Kitchen Fuel	5	3	6	4	4	6	4
Laundry & Dry Cleaning	9	1.1	9	1.0	1.0	8	9
Licenses	4	2	2	3	3	3	1
Music & Entertainment	2.4	2.3	3.1	2.8	2.9	3.8	1.9
Operating Supplies	2.5	2.5	2.9	2.4	2.4	2.7	2.4
Other Operating Expenses	1.3	1.6	1.0	1.0	1.4	1.2	5
Uniforms	4	3	4	4	4	4	5
All Other Expenses	1.4	1.2	1.6	1.3	1.3	2.0	1.8
Total	58.7%	50.0%	59.8%	52.4%	53.5%	58.0%	56.5%
Departmental Income	15.1%	19.2%	10.7%	19.5%	18.5%	12.2%	18.5%
Productivity Index	2.20	2.63	2.08	2.45	2.39	2.29	2.38

*All figures are medians and do not necessarily add to totals shown.

Exhibit 18
Food and Beverage Statistics—By Selected Criteria*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50 74%
Food Sales—By Facility						
Amount Per Available Room						
Dining Room	$2,286	$1,992	$3,183	$3,008	$1,790	$2,946
Room Service	107	255	360	569	249	391
Banquet	588	838	1,824	2,802	510	1,729
Bar/Lounge	113	111	113	111	52	161
Total	$3,007	$2,832	$5,876	$6,998	$2,382	$4,757
Ratio to Total Food Sales						
Dining Room	79.0%	70.8%	61.1%	50.3%	78.3%	60.8%
Room Service	2.8	5.2	6.6	7.9	8.0	7.0
Banquet	22.5	26.9	33.9	42.5	21.0	34.4
Bar/Lounge	2.0	2.6	2.1	2.1	2.0	2.7
Amount Per Seat						
Dining Room	$3,249	$3,484	$7,346	$5,450	$3,917	$6,636
Banquet	542	525	1,001	711	492	982
Bar/Lounge	280	159	218	600	609	216
Total	$1,303	$1,732	$2,349	$1,881	$1,997	$2,256
Average Check						
Dining Room	$5.73	$5.50	$7.62	$6.51	$5.41	$6.58
Room Service	5.56	6.16	6.60	8.81	6.16	8.45
Banquet	10.72	9.79	11.86	14.28	10.95	11.77
Total	$5.62	$6.42	$9.14	$9.96	$6.01	$7.69
Covers Served Per Seat						
Dining Room	569	561	752	840	561	771
Banquet	73	65	84	57	55	83
Room Service Sales						
Per Occupied Room						
Food	$ .47	$ 1.13	$ 1.66	$ 2.28	$ 1.10	$ 1.69
Beverage	.29	.26	.46	1.02	.33	.59
Total	$ .66	$ 1.39	$ 2.03	$ 3.20	$ 1.39	$ 2.19
Per Guest						
Food	$ .20	$ .90	$ 1.09	$ 1.46	$ .86	$ 1.13
Beverage	.24	.22	.30	.66	.22	.34
Total	$ .33	$ 1.03	$ 1.38	$ 2.17	$ 1.00	$ 1.46

*All figures are medians and do not necessarily add to totals shown.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75-99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$3,696	$4,647	$2,546	$2,312	$2,396	$1,855	$3,744	$3,147
363	303	388	259	249	145	434	547
2,384	2,935	1,569	1,025	1,153	598	1,592	2,567
111	209	108	84	106	111	198	75
$6,215	$7,564	$4,422	$3,386	$3,218	$2,457	$6,230	$6,780
58.6%	62.4%	58.8%	66.3%	68.8%	78.1%	70.2%	54.8%
4.6	4.3	7.2	5.1	3.8	4.3	4.8	7.1
37.2	32.6	34.2	31.4	30.6	23.0	24.5	40.9
1.5	2.6	1.9	2.7	3.4	2.3	2.3	1.3
$3,731	$7,525	$6,387	$3,886	$4,190	$3,713	$4,793	$4,423
823	1,097	699	572	701	569	788	831
122	1,783	283	46	165	136	299	76
$1,614	$2,256	$2,237	$1,491	$2,490	$1,634	$2,054	$2,349
$ 7.31	$ 7.56	$ 7.59	$ 6.37	$ 6.24	$ 4.87	$ 6.73	$ 7.73
6.13	6.91	8.47	5.35	5.78	5.34	6.91	8.18
11.09	11.04	12.86	10.38	9.77	10.03	11.70	14.36
$ 8.30	$ 7.76	$ 8.43	$ 6.19	$ 6.60	$ 5.95	$ 8.27	$10.00
537	734	689	734	713	541	513	537
85	109	64	104	116	**	72	78
$ 1.49	$ 2.10	$ 1.24	$ 1.28	$ .98	$ .83	$ 2.13	$ 2.26
46	63	59	27	51	1.	60	96
$ 1.81	$ 2.73	$ 2.34	$ 1.51	$ 1.52	$ 1.05	$ 2.43	$ 3.37
$ 1.06	$ 2.19	$ 1.11	$ .98	$ .77	$ .18	$ 1.31	$ 1.41
31	65	38	22	38	38	39	66
$ 1.23	$ 2.48	$ 1.41	$ 1.16	$ 1.17	$ .31	$ 1.62	$ 2.00

(Continued on next page)

Exhibit 18 (continued)*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Beverage Sales—By Facility						
Amount Per Available Room						
Dining Room	$ 918	$ 581	$ 776	$ 724	$ 493	$ 810
Room Service	77	60	100	233	74	121
Banquet	162	272	520	741	157	435
Bar/Lounge	876	1,071	1,039	741	756	1,090
Total	$1,368	$1,495	$2,333	$2,766	$981	$2,254
Ratio to Beverage Sales						
Dining Room	79.4%	29.0%	27.5%	29.5%	42.2%	35.6%
Room Service	1.7	2.9	4.2	8.7	5.4	5.2
Banquet	10.7	15.7	22.2	26.1	13.1	20.2
Bar/Lounge	95.7%	89.8%	49.2%	35.1%	100.0%	47.3%
Ratio to Food Sales						
Dining Room	30.2%	17.7%	18.7%	22.3%	22.6%	22.2%
Room Service	22.1	21.3	27.3	39.1	22.2	30.0
Banquet	20.7	22.7	24.9	25.1	21.4	24.5
Total (including Bar/Lounge)	44.6%	43.1%	38.2%	38.1%	41.0%	41.8%
Amount Per Seat						
Dining Room	$ 373	$ 435	$1,006	$1,208	$ 345	$ 913
Banquet	119	128	277	203	112	253
Bar/Lounge	1,126	2,491	4,057	3,468	2,439	4,124
Total	$ 634	$ 785	$ 940	$ 718	$ 779	$1,129

*All figures are medians and do not necessarily add to totals shown.

Exhibit 19
Restaurant Operations—Cost of Sales and Cash Payroll*

Food & Beverage Sales Ratio to Room Sales	Cost of Sales & Cash Payroll		
	1982	1981	Increase/(Decrease)
Under 50%	68.5%	68.0%	0.7%
50–74%	62.7	63.0	(0.6)
75–99%	62.4	62.9	(0.8)
100% & Over	63.1%	65.6%	(3.8)%

*Based on arithmetic mean.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$ 783	$ 888	$ 630	$ 604	$ 819	$ 357	$ 828	$ 642
102	145	126	58	108	44	132	212
629	787	527	280	422	201	479	605
1,487	1,518	779	998	1,101	1,184	1,206	800
$3,066	$3,598	$1,783	$1,681	$1,763	$1,308	$2,112	$2,608
28.1%	27.7%	28.6%	22.6%	32.1%	15.7%	28.2%	27.6%
3.5	3.5	6.2	2.6	2.7	3.2	4.3	7.1
21.7	23.6	23.0	17.1	18.4	11.6	18.2	27.1
55.7%	43.5%	50.9%	66.2%	94.6%	100.0%	52.1%	37.9%
18.6%	17.1%	22.0%	17.6%	23.9%	11.5%	15.8%	17.1%
28.8	30.3	29.4	20.3	26.2	18.8	31.6	39.1
25.3	27.8	26.1	20.6	27.6	22.9	23.4	24.6
41.0%	40.0%	39.1%	41.8%	42.8%	49.8%	39.7%	36.4%
$ 435	$1,678	$ 913	$ 636	$ 758	$ 330	$ 646	$ 521
143	335	200	140	234	127	151	208
2,789	2,929	1,288	1,284	2,320	2,446	3,184	1,964
$ 773	$ 843	$ 827	$ 612	$1,162	$ 791	$ 663	$ 819

Exhibit 20
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*

	Size				Location					Market	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Telephone											
Sales	$353	$464	$ 562	$ 737	$ 570	$500	$462	$436	$ 501	$ 581	$469
Cost of Sales											
Cost of Calls	318	388	447	531	442	389	410	352	380	448	404
Equipment Rental	72	74	121	166	137	75	86	44	157	147	95
Total	346	434	564	717	572	445	474	395	506	563	449
Payroll & Related Expenses	192	111	171	200	184	139	133	116	166	173	162
All Other Expenses	37	28	8	8	9	16	24	32	7	9	27
Total Costs & Expenses	417	490	729	909	724	535	477	451	656	758	523
Net Departmental Income or (Loss)	$ (16)	$ (34)	$(151)	$(160)	$(122)	$ (21)	$ (15)	$ (10)	$(130)	$(172)	$ (62)
Ratio to Total Sales											
Sales	2.7%	3.0%	2.6%	2.8%	2.9%	3.0%	2.8%	3.0%	2.2%	2.5%	2.8%
Cost of Sales	2.6	2.8	2.5	2.7	2.8	2.8	2.9	2.8	1.9	2.4	2.7
Payroll & Related Expenses	9	6	8	7	8	7	6	7	6	7	7
Minor Operated Departments											
Sales	$ 129	$ 137	$ 292	$ 342	$ 205	$ 125	$104	$125	$ 231	$ 480	$148
Cost of Sales	40	54	84	66	72	39	56	58	96	109	53
Payroll & Related Expense	49	77	92	197	129	52	86	7	210	223	73
Other Expenses	5	15	13	30	14	5	21	7	47	52	11
Total Costs & Expenses	41	60	152	294	119	43	84	23	259	373	71
Net Departmental Income	$ 84	$ 64	$ 45	$ 45	$ 49	$ 67	$ 41	$ 80	$ 50	$ 40	$ 67
Ratio to Total Sales											
Sales	1.0%	1.0%	1.2%	1.3%	1.1%	8%	7%	1.0%	1.2%	1.8%	1.0%
Cost of Sales	3	3	3	2	3	2	3	6	4	4	3
Payroll & Related Expenses	6	5	4	6	6	3	4	1	6	1.0	4
Rentals & Other Income											
Space Rentals	$ 246	$ 45	$ 91	$ 271	$ 97	$133	$208	$ 31	$ 158	$ 112	$ 99
Concessions	32	32	44	45	41	38	28	32	59	84	37
Commissions	15	30	40	64	45	44	16	54	52	64	32
Other	259	43	100	187	86	124	27	24	188	218	70
Total Rentals & Other Income	$293	$107	$ 265	$ 538	$ 262	$287	$153	$ 59	$ 466	$ 430	$197
Ratio to Total Sales	2.3%	7%	1.2%	1.9%	1.3%	1.4%	1.1%	5%	1.8%	1.8%	1.1%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Minor operated departments

While the larger properties generated considerably more revenue from the telephone department than did the smaller properties, these properties also incurred substantially greater costs, resulting in a larger loss. This same pattern, shown in Exhibit 20, was evident in minor operated departments as net departmental revenue per room was inversely related to the size of the properties. By location, center city and resort properties incurred much higher expenses in the telephone department than their counterparts, and therefore reported significantly greater departmental losses.

Payroll and related expenses

An analysis of the available information on staffing levels per 100 available and 100 occupied rooms and sales per employee is shown in Exhibit 21. The medians and quartiles were determined for those properties reporting the number of employees in the various departments. The number of employees represents full-time equivalents (i.e., the number of hours worked has been divided by the standard work hours to obtain the number of employees in each position).

Median sales per full-time employee (FTE) increased for each department in 1982, with total sales per employee rising 2.1 percent. The sales per departmental employee is one measure of employee productivity and also supplies a test of staffing levels when unusual circumstances affect the composition of sales.

Exhibit 21
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
1) Staffing Levels (Full-Time Equivalent Employees)						
Rooms	13.7	18.2	22.5	22.1	27.5	40.1
Food & Beverage	17.9	25.9	37.3	29.3	40.3	67.5
Telephone	.8	1.1	1.6	1.2	1.8	2.8
Minor Operated Departments	.7	1.5	3.3	1.1	2.4	5.9
Administrative & General	2.5	3.8	5.6	4.4	6.3	9.3
Marketing—Sales	1.0	1.5	2.0	1.6	2.5	3.6
Marketing—Other	.3	1.0	1.9	.5	1.5	5.1
Property Operation & Maintenance	2.0	2.7	3.8	3.4	4.6	6.2
Personnel	.3	.5	.9	.5	.7	1.3
House Laundry	1.2	1.7	2.7	2.1	2.7	4.8
Other	.8	1.5	2.6	1.3	2.6	4.8
2) Total Employment—Full-Time Equivalent Employees	41.8	55.6	75.3	69.1	87.6	132.2
3) Employee Productivity—Sales Per Full-Time Employee						
Rooms	$45,203	$65,196	$94,859			
Food & Beverage	18,276	25,950	39,696			
Telephone	37,617	57,770	88,022			
Minor Departments	16,086	31,582	63,285			
*4) Total Sales Per Employee	$27,530	$37,081	$51,330			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Exhibit 22 shows cash payroll, employee benefits and employment statistics for those properties providing the data in each of the size groups (the median and high occupancy groups, those with low and high restaurant volume and those reporting net income and net loss).

Payroll and related expenses per room and per employee generally increased as the size of the property increased, but sales per employee failed to increase at a corresponding rate. This resulted in the larger properties having a lower productivity than the smaller establishments. For most of the groups analyzed, payroll per room was higher than the levels reported for 1981. Therefore, while total sales

Exhibit 22
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics—By Selected Criteria*

	Size			
	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 2,927	$ 3,657	$ 6,450	$ 7,322
Total Payroll & Related Expenses	3,935	4,630	8,400	9,915
*Employee Benefits Ratio to Cash Payroll	27.2%	27.0%	31.2%	33.2%
Cost Per Employee				
Cash Payroll	$ 8,893	$ 7,988	$12,226	$14,725
Total Payroll & Related Expenses	11,118	9,747	16,051	20,272
Employment Statistics				
Sales Per Employee				
Rooms	$48,278	$57,929	$83,184	$108,840
Food & Beverage	18,460	20,659	33,455	41,953
Telephone	59,544	49,855	54,360	74,849
Minor Departments	37,145	22,087	27,208	61,029
*Total Sales Per Employee	$30,667	$30,429	$39,700	$53,923
Productivity Index				
1982	$3.31	$3.16	$2.84	$2.87
1981	3.74	3.31	3.02	2.88
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.3	18.9	17.9	17.8
Food & Beverage	25.1	23.8	26.5	27.1
Telephone	1.6	1.2	1.0	1.0
Minor Departments	2.5	1.8	1.7	.8
Administrative & General	3.5	3.1	4.6	5.0
Marketing—Sales	1.8	1.4	1.5	1.5
Marketing—Other	**	0.7	1.3	1.9
Property Operation & Maintenance	2.7	2.5	2.8	3.2
Personnel	1.8	0.4	0.5	.4
House Laundry	1.4	1.4	2.2	1.8
Total	52.5	54.7	59.2	57.5

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

per employee also rose over 1981 levels, this increase was not large enough to offset the additional payroll expenses generated. The reporting of these results was so common that the productivity index (computed by dividing total sales by total payroll and related expenses) declined from 1981 levels for all the categories analyzed in this exhibit.

Also declining in 1982 was the number of FTE employees per 100 available rooms. Only properties with more than 600 rooms and those reporting a net loss showed increases over the previous year.

Occupancy		Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales		Those Reporting	
60–69%	Over 80%	50–74%	100% or More	Net Income	Net Loss
$ 3,966	$4,354	$ 5,170	$ 6,561	$ 3,518	$ 4,229
5,108	5,610	6,822	8,569	4,609	5,563
30.5%	30.8%	27.5%	28.6%	30.2%	26.1%
$10,078	$11,794	$10,031	$ 8,584	$ 9,357	$ 8,005
$13,057	16,359	12,686	$10,759	$11,670	10,330
$63,945	$88,083	$84,002	$47,851	$63,361	$44,699
25,724	44,015	37,916	24,024	24,708	19,242
66,427	80,736	72,236	41,432	49,677	51,073
21,857	50,395	40,630	32,622	33,302	24,599
$35,274	$48,033	$46,653	$27,418	$37,036	$27,640
$3.10	$3.48	$2.89	$2.66	$3.34	$2.72
3.27	3.96	2.98	2.87	3.75	2.87
17.5	20.2	17.4	21.0	21.3	20.4
25.8	26.0	24.9	50.6	26.2	32.3
1.1	1.1	1.0	1.6	1.6	1.4
1.7	7	7	2.0	2.5	2.0
3.6	4.7	3.9	6.2	3.0	4.0
1.5	1.2	1.5	1.6	1.7	1.5
1.3	**	1.3	**	1.3	5
2.8	3.0	2.8	3.5	3.2	2.6
4	4	5	8	6	6
1.7	1.3	1.5	2.0	2.2	2.0
54.9	57.4	54.6	97.7	57.8	65.9

Exhibit 23
Payroll and Related Expenses
Per Occupied Room Per Day* —By Occupancy

	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Rooms	$ 9.94	$ 8.10	$ 7.74	$ 7.06	$ 7.32
Food & Beverage	16.36	10.08	9.09	8.07	7.15
Telephone	.98	.71	.65	.77	.63
Minor Operated Departments	.82	.44	.29	.43	.17
Administrative & General	6.19	3.53	2.92	3.05	2.42
Marketing	2.22	1.56	1.31	1.03	.95
Property Operation & Maintenance	2.98	2.00	1.76	1.54	1.45
Personnel	.64	.27	.15	.14	.08
House Laundry	1.43	.88	.83	.82	.92
Total	$39.88	$25.85	$21.71	$19.71	$17.94

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 24
Analysis of Undistributed Operating
Expenses—By Selected Criteria*

	Age				Size			
	Built Pre-1940	1940-1959	1960-1969	Post 1969	Under 150 Rooms	150-299	300-600	Over 600 Rooms
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$1,522	$ 509	$ 525	$ 792	$ 625	$ 528	$1,168	$1,166
Other	1,292	830	683	780	718	803	1,002	1,051
Total	$2,542	$1,309	$1,244	$1,464	$1,248	$1,433	$2,172	$2,250
Ratio to Room Sales	21.3%	14.4%	12.6%	13.7%	14.5%	14.8%	16.4%	14.1%
Ratio to Total Sales	11.7%	11.2%	8.5%	8.2%	9.5%	9.4%	9.3%	8.2%
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 530	$ 152	$ 171	$ 302	$ 182	$ 251	$ 390	$ 418
Other	1,082	326	276	495	481	488	853	855
Total	$1,408	$ 450	$ 421	$ 626	$ 497	$ 693	$1,268	$1,265
Ratio to Room Sales	10.5%	5.3%	4.4%	6.5%	5.4%	7.1%	8.8%	8.1%
Ratio to Total Sales	5.3%	3.1%	3.0%	3.8%	3.3%	4.6%	4.9%	4.7%
Energy Costs								
Cost Per Room	$1,275	$ 882	$ 856	$ 883	$ 812	$ 894	$1,116	$1,381
Ratio to Room Sales	9.2%	8.2%	8.7%	8.4%	8.8%	9.3%	8.5%	8.8%
Ratio to Total Sales	5.2%	6.1%	5.9%	5.6%	6.3%	5.9%	4.9%	5.0%
Property Operation & Maintenance								
Cost Per Room								
Payroll	$1,130	$ 366	$ 391	$ 405	$ 367	$ 350	$ 628	$ 824
Other	872	500	514	491	487	483	670	854
Total	$2,004	$ 899	$ 915	$ 826	$ 769	$ 856	$1,324	$1,679
Ratio to Room Sales	16.4%	8.2%	9.4%	7.8%	8.3%	8.9%	9.9%	9.4%
Ratio to Total Sales	7.9%	5.5%	6.4%	5.2%	5.7%	5.7%	5.6%	5.6%

*All figures are medians.

Exhibit 23 shows departmental payroll and related expenses per occupied room per day at various levels of occupancy. Immediately obvious from this analysis is that the costs drop as the rate of occupancy increases. This is primarily attributable to the fixed payroll costs in the undistributed operating departments, which do not vary as occupancy changes. This trend is clear in every department, with total payroll and related expenses for the lowest occupancy group being more than twice those reported by properties in the highest occupancy group.

Undistributed operating expenses

The amount per room of the undistributed operating expenses was relatively consistent in the various breakdowns analyzed, as Exhibit 24 shows. One exception to this was a clear tendency for administrative and general, marketing, energy, and property operation and maintenance costs to increase as the ratio of food and beverage sales to room sales increased. Properties built prior to 1940 reported extremely high costs in all these areas, and, with the exception of marketing costs, reported the highest costs in the other three areas of the breakdowns analyzed. From 1981 to 1982, these expenses generally increased, except for administrative and general expenses, which declined slightly.

One of the most significant costs included in administrative and general expenses is management fees. The range of amounts per room and ratio to

Occupancy					Restaurant Not Operated	Restaurant Operated Food and Beverage Sales Ratio to Room Sales			
Under 50%	50–59%	60–69%	70–79%	80% & Over		Under 50%	50–74%	75–99%	100% & Over
$ 932	$ 702	$ 673	$ 824	$ 773	$ 549	$ 525	$1.005	$1.136	$1.357
689	756	884	922	935	469	730	992	1.120	1.282
$1.733	$1.510	$1.628	$1.564	$1.767	$ 507	$1.283	$1.840	$2.231	$2.505
23.1%	17.2%	15.4%	13.2%	11.3%	7.3%	12.9%	15.9%	18.8%	23.6%
12.2%	10.4%	9.1%	8.2%	7.7%	6.6%	8.9%	9.3%	9.5%	10.0%
$ 336	$ 305	$ 313	$ 279	$ 290	$ 259	$ 209	$ 355	$ 367	$ 417
520	559	581	608	553	219	423	679	776	1.034
$ 880	$ 787	$ 774	$ 818	$ 660	$ 207	$ 597	$1.031	$1.163	$1.542
11.9%	10.0%	8.1%	6.7%	4.0%	2.7%	5.5%	8.6%	9.6%	15.7%
6.6%	5.9%	4.7%	4.1%	2.8%	2.6%	3.7%	5.1%	4.8%	5.9%
$ 948	$ 923	$ 973	$ 964	$ 907	$ 499	$ 861	$1.103	$1.170	$1.213
13.5%	10.3%	9.1%	8.0%	6.9%	6.0%	8.5%	9.7%	10.4%	11.9%
7.7%	6.5%	5.8%	5.3%	4.6%	5.4%	6.2%	5.6%	5.2%	5.1%
$ 404	$ 388	$ 417	$ 413	$ 456	$ 261	$ 363	$ 516	$ 584	$ 517
499	492	540	593	535	395	494	617	633	597
$ 898	$ 858	$ 934	$1.022	$ 923	$ 408	$ 875	$1.184	$1.212	$1.110
14.6%	11.0%	9.3%	7.9%	7.2%	4.9%	8.2%	9.6%	11.3%	13.2%
7.5%	6.8%	5.7%	5.3%	5.0%	4.4%	5.9%	5.6%	5.6%	5.1%

total sales of management fees for 1982, along with comparisons with 1981, are shown in Exhibit 25 for all properties reporting such data. The median amount per room declined slightly in 1982 to $540, while the same number as a ratio to total sales declined 1 percent.

How management allocated the expense dollar in the marketing department is shown in Exhibit 26 for those properties that provided a detailed breakdown. In addition to showing the allocation for the entire sample, the exhibit presents the marketing dollar by location and for those establishments that cater primarily to conventions. In 1982, each dollar of expenditures for marketing, plus the cost of travel agents' commissions and reservations expenses, generated $20.18 in total sales, down 18.7 percent from 1981.

Energy costs per occupied room per day for all establishments providing sufficient detail are shown in Exhibit 27 by location. Significant increases in energy costs are still affecting the lodging industry. Properties in this study reported an increase of 18.2 percent in 1982, up from the 14 percent increase reported in 1981. The majority of this increase was

Exhibit 25
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1982	$357	$540	$878
1981	$383	$561	$913
Ratio to Total Sales			
1982	2.8%	3.4%	4.5%
1981	3.0%	4.4%	6.1%

Exhibit 26
How the Marketing Dollar Was Spent*

	Mean: All Establishments	Location					Market
		Center City	Airport	Suburban	Highway	Resort	Convention
Payroll & Related Expenses							
Sales	26.1%	30.5%	26.4%	21.5%	22.9%	22.6%	32.0%
Other	.8	1.5	.2	.7	.6	1.2	1.4
Sales							
Travel & Entertainment	5.3	6.5	4.1	3.8	4.3	7.9	7.0
Other	3.0	4.2	3.5	1.8	1.7	4.1	5.0
Advertising							
Print	16.4	15.9	18.3	18.9	10.8	19.4	18.5
Radio & TV	2.9	2.0	2.8	2.4	2.9	2.1	2.7
Outdoor	2.3	1.6	2.7	3.8	4.0	1.5	1.0
Other	3.8	6.0	5.0	3.8	1.1	3.4	6.4
Merchandising	6.9	3.5	7.7	1.9	4.6	5.0	2.6
Public Relations & Publicity	4.0	3.8	4.5	5.3	3.6	2.5	2.6
Fees & Commissions							
Franchise Fees	18.3	14.1	15.9	23.8	35.8	15.5	5.7
Other	1.8	1.6	1.5	1.6	1.4	2.5	1.5
All Other Selling & Promotion Expenses	8.4	8.8	7.4	10.7	6.3	12.3	13.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Marketing Cost Index	$20.18	$18.08	$18.16	$25.70	$25.57	$16.38	$18.46

*Based on those supplying detail.

caused by increased costs for electricity. Suburban properties reported the largest jump in energy cost, while resort properties reported the smallest increase even though they still had the highest overall energy cost on a per occupied room basis.

Exhibit 28 shows the allocation of property operation and maintenance costs for the properties providing sufficient detail, as well as an analysis of this allocation by the age of the property. As Exhibit 24 showed, managements of the older properties tended to spend more on property operation and maintenance than their newer counterparts while also allocating these funds differently. Payroll and related expenses in this department, as a percentage of total expenses, increase sharply as the age of the property rises. Therefore, not only are the older properties spending more on payroll costs than are the newer operations, but also spending a larger portion of this money to cover these costs. Also of note is the much higher percentage of these funds that properties built after 1969 allocate to grounds and landscaping. This reflects the greater emphasis developers are placing on the aesthetics of the property and its surrounding area.

Exhibit 27
Energy Costs Per Occupied Room Per Day*—By Location

		Location				
	Mean: All Establishments	Center City	Airport	Suburban	Highway	Resort
Fuel	$1.08	$1.22	$1.03	$1.15	$ .85	$1.08
Electricity	3.20	3.67	2.57	2.79	2.49	4.34
Water	40	44	37	36	34	50
Steam	19	46	03	03	02	08
Subtotal	$4.87	$5.33	$4.00	$4.33	$3.70	$6.00
Credit For Sale of Energy	(.07)	(.15)	02	(.05)	(.01)	10
Net Cost						
1982	$4.80	$5.18	$3.98	$4.28	$3.69	$5.90
1981	$4.06	$4.33	$3.37	$3.52	$3.30	$5.39
Increase (Decrease)	18.2%	19.6%	18.1%	21.6%	11.8%	9.5%

*Based on arithmetic mean.

Exhibit 28
How the Property Operation and Maintenance Dollar Was Spent—By Age*

		Age			
	Mean: All Establishments	Built Pre-1940	1940–1959	1960–1969	Post 1969
Payroll & Related Expenses	42.8%	54.2%	45.8%	42.6%	37.3%
Building	7.2	4.6	8.0	7.3	6.9
Electrical & Mechanical Equipment	17.0	11.3	14.8	18.8	15.0
Furniture	3.1	2.9	3.4	2.7	2.3
Grounds & Landscaping	7.5	2.4	6.2	6.6	11.6
Operating Supplies	4.1	2.9	2.6	4.3	5.6
Painting & Decorating	3.6	4.2	4.1	4.5	3.4
Removal of Waste Matter	4.6	2.5	3.7	5.1	4.0
All Other Expenses	10.1	15.0	11.4	8.1	13.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Credit cards are by far the preferred method of settling guest accounts in the United States, as shown in Exhibit 29. For the second straight year, the percentage of guests paying with cash has dropped, and while the percentage of those paying with credit cards dropped in 1981, it rebounded sharply in 1982.

Travel agents and tour operators were responsible for settling accounts for 6.6 percent of the guests, down from 8.2 percent in 1981. Resort properties were the only segment that reported that travel agents and tour operators were responsible for a significant portion of guest account settlements.

Exhibit 29
Method of Payment For Services*

	Method of Payment			
	Cash	Credit Card	Travel Agent & Tour Operator	All Other Credit
Location:				
Center City	26.3%	52.6%	4.8%	16.3%
Airport	30.3	50.8	3.8	14.9
Suburban	26.3	51.8	3.3	18.5
Highway	32.1	54.8	6.9	6.1
Resort	30.3	40.3	18.2	11.2
Size:				
Under 150 Rooms	35.1%	51.4%	6.3%	7.2%
150–299	30.3	49.6	6.0	14.1
300–600	23.4	49.6	9.8	17.2
Over 600 Rooms	16.9	54.9	6.2	22.0
Rate:				
Less than $35.00	43.7%	45.4%	6.6%	4.3%
$35.00–$44.99	29.6	50.1	5.6	14.7
$45.00–$54.99	27.8	50.0	8.1	14.1
$55.00 and Over	21.4	53.2	6.7	18.7
Restaurant Not Operated	37.0%	47.3%	4.8%	11.0%
Restaurant Operated: Food & Beverage Sales Ratio to Room Sales:				
Under 50%	27.9%	54.9%	6.8%	10.4%
50–74%	28.6	46.6	5.6	19.1
75–99%	30.4	46.2	9.1	14.3
100% & Over	25.3	55.8	3.8	15.1
Mean: All Establishments	28.8%	50.4%	6.6%	14.3%

*Based on arithmetic mean.

Additional information on credit card usage is shown in Exhibit 30. The annual cost per occupied room for various groups is shown together with the ratio to total sales and the comparable costs for 1981. The median annual cost per occupied room for the entire sample rose 28.1 percent; however, the ratio to total sales remained constant at 1.3 percent. The annual cost per occupied room was highest for the $55 and over rate group, while those properties that do not operate a restaurant reported the heaviest usage of credit cards in relation to total sales.

Exhibit 30
Credit Card Commissions—Annual Cost Per Occupied Room*

	Annual Cost Per Occupied Room			Ratio to Total Sales	
	1982	1981	Increase (Decrease)	1982	1981
Location					
Center City	$460	$318	44.7%	1.4%	1.3%
Airport	355	256	38.7	1.4	1.3
Suburban	275	286	(3.8)	1.4	1.3
Highway	276	232	19.0	1.4	1.2
Resort	398	271	46.9	1.2	1.3
Size					
Under 150 Rooms	$164	$194	(15.5%)	1.3%	1.3%
150–299	203	267	(24.0)	1.3	1.2
300–600	296	356	(16.9)	1.3	1.2
Over 600	382	552	(30.8)	1.3	1.3
Rate					
Less than $35.00	$194	$182	6.6%	1.2%	1.3%
$35.00–$44.99	288	270	6.7	1.3	1.2
$45.00–$54.99	384	380	1.1	1.3	1.2
$55.00 and Over	603	573	5.2	1.4	1.4
Occupancy					
Under 50%	$372	$222	67.7%	1.2%	1.2%
50–59	349	238	45.6	1.3	1.1
60–69	328	257	27.6	1.3	1.2
70–79	317	296	7.1	1.4	1.3
80% & Over	318	234	35.9	1.4	1.4
Restaurant Not Operated	$198	$176	12.5%	1.6%	1.5%
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales					
Under 50%	$275	$245	12.2%	1.4%	1.2%
50–74%	404	300	34.7	1.3	1.2
75–99%	445	436	2.1	1.2	1.3
100% & Over	496	423	17.3	1.2	1.1
Median, All Establishments	$328	$256	28.1%	1.3%	1.3%

*All figures are medians.

Exhibit 31
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Age				Size			
	Median, All Establishments	Built Pre-1940	1940-1959	1960-1969	Post 1963	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms
Amount Per Room									
Rent	$ 318	$ 984	$ 863	$ 345	$ 240	$ 234	$ 276	$ 654	$1,165
Property Taxes	346	623	294	309	333	278	330	572	760
Insurance on Buildings & Contents	93	85	102	95	105	83	92	108	87
Interest Expense	1,003	414	630	256	1,537	902	904	1,348	2,046
Depreciation & Amortization	1,124	1,328	1,173	1,202	1,174	948	1,133	1,326	1,723
Total Fixed Charges	$2,716	$3,917	$2,495	$2,342	$3,283	$2,534	$2,523	$4,422	$7,092
Ratio to Total Sales	19.1%	14.2%	16.2%	15.5%	22.8%	19.6%	18.3%	20.1%	24.8%

*Based on those supplying detail. All figures are medians.

Exhibit 32
Balance Sheet Statistics
Liquidity Ratios—All Establishments*

	1981	1980
Current Position	$ 97	$ 97
Accounts Receivable		
Amount Per Room	$498	$626
Ratio to Total Sales	2.8%	3.3%
*Number of Times Average Daily Sales	12	
Food Inventory—End of Year		
Amount Per Room	$ 87	$ 67
Annual Turnover	24.8	22.4
Beverage Inventory—End of Year		
Amount Per Room	$ 65	$ 53
Annual Turnover	7.0	8.2

*Based on those supplying detail. All figures are medians.

Fixed charges

Fixed charges per available room and ratios to total sales are shown in Exhibit 31. Median amounts and ratios for the entire sample and for the age, size, area and location groups are shown since those criteria are most likely to influence the amount of rent, taxes, insurance, interest and depreciation expenses.

The total fixed charges per room declined slightly from $2,793 per room in 1981 to $2,716 in 1982 for those properties providing sufficient detail. However, the ratio to total sales increased moderately from 18.7 percent to 19.1 percent. During 1982, the larger properties reported the highest fixed charges. For those properties with more than 600 rooms, total fixed charges were $7,092 per room, and 24.8 percent of total sales. Both of these measures were up considerably from 1981, when those properties reported fixed charges of $3,508 per room and 15.6 percent of total sales.

Balance sheet statistics

Exhibit 32 shows the typical ratios used to measure liquidity, or the ability of a company to meet its current obligations, with comparable

Area					Location				
North East	South East	North Central	South Central	West	Center City	Airport	Suburban	Highway	Resort
$ 188	$ 312	$ 349	$ 220	$ 468	$ 467	$ 220	$ 129	$ 246	$ 360
639	334	495	275	292	530	385	286	300	499
122	91	86	78	96	95	86	112	90	115
913	1,070	1,095	971	810	1,310	1,241	1,153	795	627
1,117	1,282	1,140	1,016	1,159	1,243	1,179	1,087	1,152	1,273
$3,333	$2,940	$2,783	$2,219	$2,599	$4,065	$3,181	$2,512	$2,452	$3,330
17.6%	19.7%	21.7%	16.8%	16.9%	21.9%	22.2%	19.4%	19.3%	12.7%

amounts and ratios for 1981. The current position remained at the 1981 level, but both the amount per room and ratio to total sales of accounts receivable dropped sharply. That was the second consecutive year that these measures had fallen considerably below the previous year's results. Food inventory turnover increased in 1982, while beverage inventory turnover fell moderately.

Summary

Median amounts per available room and ratios to total sales for the various groups are shown in the exhibits on pages 70–79. Again this year, we have excluded management fees from the administrative and general expenses analysis and included them as a separate line item in the following exhibits. With the level of management fees being more closely tied to overall operating results (in addition to the increasing frequency and size of the fees in relation to sales), operating results are more accurately reflected when this item is isolated and shown as a separate line item.

In general, for the properties in the 16 break-downs shown in the following exhibits, both the amount per room and the ratio to total sales of income before fixed charges were down sharply from year-earlier levels. This reflects how difficult a year 1982 was for the U.S. economy in general and the lodging industry in particular. With occupancy dropping from 70.1 in 1981 to 66 in 1982, hotel operators tried to offset the decline in demand with increased room rates. This policy was successful in raising total revenue above the 1981 level. However, it exacted a toll on these hotels in the form of increased operating costs. The marketing and property operation departments were two areas where these increased costs were particularly evident. As stated in last year's report and shown in the following exhibits, when properties generate occupancy levels above 70 percent for the entire year, they are consistently able to improve profit margins. Accomplishing this despite the recession points to the immeasurable value of inspired management.

During the first half of 1983, L&EE's monthly survey indicated that the overall industry occupancy rate has continued to decline. However, the rate of decline has slowed considerably in the past few months, and in June 1983, the three straight years of decline came almost to a halt. We expect the second half of 1983 to signal a strong enough turnaround in occupancy rates to provide the industry with a 1 percent increase in occupancies for the entire year. As the economy begins to rebound, the degree to which it will boost demand probably will be modified. Business travel may not return to levels of the past year as many companies instituted travel efficiencies that permanently reduced travel time and cost. However, latent tourist demand should help to offset any reduction in business travel, and we think hotel management should be able to capitalize on this surge in demand. During the extended recession, hotel operators adjusted to the lower level of activity by instituting broad-based cost-saving measures. Management can use the lessons learned during this period to help maintain operating efficiency as the imminent increase in demand arrives. ■

U.S. Lodging Industry—1982
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Age of Property			
Rooms	Built Pre 1940	Built 1940-1959	Built 1960-1969	Built Post 1969
Sales	$13,391	$10,573	$9,774	$9,909
Departmental Expenses:				
Payroll & Related Expenses	3,174	1,785	1,797	1,763
Other	1,314	775	680	809
Total	4,615	2,578	2,523	2,605
Departmental Income	9,471	8,275	7,349	7,316
Food & Beverage				
Sales:				
Food	7,611	2,460	2,640	3,753
Beverage	3,133	1,127	1,212	1,800
Total	10,744	3,264	3,948	5,700
Cost of Sales:				
Food	2,328	855	962	1,373
Beverage	794	243	265	430
Total	3,122	1,066	1,224	1,835
Gross Profit	7,382	2,145	2,709	3,796
Public Room Sales	150	88	103	147
Other Income	120	4	2	26
Gross Profit & Other Income	7,638	2,256	2,799	3,874
Departmental Expenses:				
Payroll & Related Expenses	5,072	1,577	1,648	2,189
Other	1,419	535	445	773
Total	6,599	2,102	2,160	3,149
Departmental Income	1,484	484	582	790
Telephone Departmental Income	(306)	(20)	(18)	(19)
Net Income From Minor Operated Departments	110	3	65	54
Rentals & Other Income	409	145	58	263
Gross Income	11,053	9,206	8,134	8,542
Undistributed Operating Expenses				
Administrative & General:				
Payroll & Related Expenses	1,512	509	625	792
Other	1,292	830	683	790
Total	2,542	1,309	1,244	1,464
Marketing	1,408	450	421	626
Energy Costs	1,275	682	856	883
Property Operation & Maintenance	2,004	899	915	826
Total Undistributed Expenses	7,256	3,275	3,512	3,929
Income Before Management Fees	2,511	4,433	4,331	5,009
Management Fees	542	356	560	478
Income Before Fixed Charges	$2,511	$4,433	$4,318	$4,783

Size of Property				Average Rate			
Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Less than $35.00	$35.00-$44.99	$45.00-$54.99	$55.00 and Over
$8,862	$9,834	$13,138	$16,810	$7,221	$9,774	$11,800	$16,898
1,681	1,739	2,272	2,871	1,436	1,750	1,955	2,811
763	761	1,089	1,309	637	713	1,018	1,324
2,457	2,538	3,418	4,346	2,085	2,529	2,900	4,303
6,063	7,377	9,626	12,582	5,018	7,316	8,593	12,828
3,077	2,832	5,876	6,998	2,091	2,860	4,238	7,229
1,368	1,495	2,333	2,766	877	1,369	1,778	2,979
4,299	4,301	8,414	9,850	1,601	4,234	5,868	10,403
1,026	1,023	1,978	2,148	742	1,006	1,408	2,392
368	338	492	534	215	308	410	616
1,355	1,369	2,465	2,687	922	1,318	1,832	3,183
2,866	2,997	5,884	7,099	1,956	2,954	4,135	7,396
93	137	204	159	77	129	205	204
4	6	46	94	1	3	32	100
3,084	3,163	6,136	7,669	2,049	3,115	4,391	7,783
1,759	1,762	3,406	4,232	1,273	1,723	2,501	4,342
477	643	1,004	1,141	329	517	735	1,182
2,306	2,464	4,276	5,356	1,634	2,313	3,444	5,678
528	691	1,509	1,783	424	629	912	1,822
(16)	(34)	(151)	(160)	(15)	(24)	(77)	(154)
84	64	45	45	79	89	65	36
293	107	262	538	158	86	221	419
7,267	8,371	12,015	14,975	5,705	8,331	10,217	15,070
625	528	1,168	1,166	405	568	911	1,290
718	803	1,002	1,051	557	777	918	1,277
1,248	1,443	2,172	2,250	861	1,352	1,908	2,516
497	693	1,268	1,265	391	574	1,041	1,410
812	894	1,116	1,381	689	886	1,081	1,387
769	856	1,324	1,679	633	868	1,017	1,644
3,381	3,866	5,843	6,823	2,778	3,852	4,913	7,273
3,879	4,272	6,079	7,458	2,984	4,326	5,098	8,010
424	526	816	800	363	511	653	850
$3,811	$4,154	$5,789	$7,146	$2,850	$4,154	$4,596	$7,477

U.S. Lodging Industry—1982
Ratios to Total Sales

	Age of Property			
Rooms	Built Pre-1940	Built 1940-1959	Built 1960-1969	Built Post 1969
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	21.1	16.9	18.6	17.6
Other	9.7	7.5	7.2	8.1
Total	31.0	24.2	26.2	25.9
Departmental Income	69.0	75.8	73.8	74.1
Ratio to Total Sales	36.1	54.4	50.1	48.9
Food & Beverage				
Sales				
Food	72.0	71.5	71.3	70.4
Beverage	28.0	29.2	28.9	30.2
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	35.8	34.2	35.7	35.8
Beverage	23.6	23.2	21.9	22.7
Total	33.1	29.9	31.8	31.7
Gross Profit	66.9	70.1	68.2	68.3
Public Room Sales	1.5	1.5	2.5	2.4
Other Income	1.2	1	1	.5
Gross Profit & Other Income	68.3	73.7	70.4	70.8
Departmental Expenses				
Payroll & Related Expenses	44.7	42.2	42.5	40.3
Other	10.2	12.6	11.6	12.5
Total	54.3	53.9	55.7	53.6
Departmental Income	14.5	14.2	15.8	17.7
Ratio to Total Sales	6.8	2.7	4.1	4.9
Telephone Departmental Income	(1.4)	(.1)	(.1)	(.1)
Net Income From Minor Operated Departments	.6		.5	.3
Rentals & Other Income	1.8	1.0	.5	1.3
Gross Income	41.7	59.1	55.6	57.2
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.7	4.8	3.7	4.1
Other	4.5	5.5	4.8	4.9
Total	11.7	11.2	8.5	8.2
Marketing	5.3	3.1	3.0	3.8
Energy Costs	5.2	6.1	5.9	5.6
Property Operation & Maintenance	7.9	5.5	6.4	5.2
Total Undistributed Expenses	30.9	28.0	24.3	23.0
Income Before Management Fees	10.3	29.4	30.2	32.9
Management Fees	2.9	3.1	3.4	3.8
Income Before Fixed Charges	9.4%	26.8%	29.0%	30.7%

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Size of Property				Average Rate			
Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Less than $35.00	$35.00-$44.99	$45.00-$54.99	$55.00 and Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
19.3	17.6	17.0	16.9	20.0	17.9	16.9	16.6
8.7	7.8	8.6	8.3	9.1	7.6	8.6	8.5
28.5	25.7	25.8	25.8	29.1	25.7	25.6	25.3
71.5	74.3	74.2	74.2	70.9	74.3	74.4	74.7
50.0	48.7	41.9	43.1	50.1	49.3	42.1	43.0
71.0	70.0	72.6	72.4	70.5	70.0	71.7	71.2
30.9	30.2	27.6	27.6	31.5	30.4	28.4	28.9
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
36.7	24.7	32.8	31.1	35.9	36.4	34.9	32.6
24.3	22.5	21.1	19.8	23.7	22.7	21.3	20.7
32.6	31.8	29.6	27.8	32.1	32.1	30.6	29.2
67.4	68.2	70.4	72.2	68.0	67.9	69.4	70.8
2.4	3.1	2.7	2.1	2.4	3.1	3.0	2.3
2	2	8	1.0	1	1	6	1.0
69.2	71.2	73.7	75.1	71.0	70.8	72.6	74.2
41.9	41.7	42.3	46.0	41.3	41.1	42.6	43.0
11.4	12.5	11.5	10.7	12.2	12.1	11.9	11.3
55.4	54.3	55.1	54.9	54.9	54.0	55.7	55.4
15.1	17.2	18.6	20.2	17.7	17.2	17.1	18.8
4.0	4.4	6.4	6.3	4.1	4.5	4.9	6.6
(.2)	(.3)	(.7)	(.7)	(.2)	(.2)	(.4)	(.6)
6	5	2	2	8	5	4	1
2.3	7	1.2	1.9	1.8	6	1.2	1.5
56.6	54.4	51.0	53.7	55.8	55.0	52.8	52.7
4.4	3.8	4.8	4.4	3.8	3.8	4.7	4.5
5.5	5.3	4.3	3.6	5.9	5.2	4.5	4.1
9.5	9.4	9.3	8.2	9.8	8.9	9.5	8.7
3.3	4.6	4.9	4.7	4.2	3.8	5.4	4.9
6.3	5.9	4.9	5.0	6.6	5.9	5.6	4.7
5.7	5.7	5.6	5.6	5.7	6.0	5.3	5.5
25.9	25.7	25.3	24.7	26.8	25.0	26.2	24.8
29.7	28.4	27.0	28.6	29.3	29.2	27.2	27.9
4.1	3.1	3.6	3.0	4.4	3.4	3.0	3.0
28.9%	26.9%	24.1%	26.9%	28.3%	27.8%	25.2%	25.6%

U.S. Lodging Industry—1982
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	$6,724	$8,521	$10,138	$11,728	$13,551
Departmental Expenses:					
Payroll & Related Expenses	1,494	1,611	1,841	1,939	2,192
Other	648	765	797	1,004	1,049
Total	2,151	2,408	2,616	2,856	3,328
Departmental Income	4,298	6,059	7,434	9,041	10,069
Food & Beverage					
Sales:					
Food	3,359	3,393	3,642	3,811	3,661
Beverage	1,483	1,369	1,818	2,125	1,767
Total	4,626	4,712	5,432	5,494	5,060
Cost of Sales:					
Food	1,177	1,189	1,275	1,368	1,128
Beverage	334	297	429	469	424
Total	1,556	1,494	1,668	1,685	1,559
Gross Profit	3,123	3,152	3,784	3,829	3,754
Public Room Sales	105	134	137	204	143
Other Income	10	18	22	36	11
Gross Profit & Other Income	3,246	3,274	3,959	4,011	4,019
Departmental Expenses:					
Payroll & Related Expenses	2,320	2,013	2,100	2,189	2,154
Other	699	686	783	751	678
Total	3,184	2,543	2,966	3,070	2,788
Departmental Income	353	669	815	1,067	910
Telephone Departmental Income	167	965	880	133	159
Net Income From Minor Operated Departments	28	44	59	85	95
Rentals & Other Income	244	234	184	245	241
Gross Income	4,682	7,120	8,670	10,442	11,515
Undistributed Operating Expenses					
Administrative & General:					
Payroll & Related Expenses	932	702	673	824	773
Other	689	756	884	922	935
Total	1,733	1,610	1,628	1,564	1,767
Marketing	880	787	774	818	660
Energy Costs	948	923	973	964	907
Property Operation & Maintenance	808	868	934	1,022	923
Total Undistributed Expenses	4,635	4,087	4,269	4,598	4,319
Income Before Management Fees	1,146	2,789	4,508	6,250	7,584
Management Fees	393	474	867	545	927
Income Before Fixed Charges	$1,146	$2,680	$4,258	$5,470	$7,053

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $1,400,000	$1,400,000 $2,499,999	$2,500,000 $5,999,999	$6,000,000 & Over		Under 50%	50-74%	75-99%	100% & Over
$8,006	$10,308	$12,327	$17,968	$8,455	$10,418	$11,327	$10,919	$9,341
1,521	1,831	2,095	2,952	1,694	1,780	1,953	2,007	1,985
656	790	1,028	1,462	792	765	1,002	895	1,032
2,221	2,611	3,160	4,450	2,508	2,593	2,983	2,929	2,970
5,794	7,593	8,899	13,530	5,900	7,747	8,025	8,146	6,874
2,178	2,989	5,425	8,326		2,382	4,757	6,215	7,564
941	1,651	2,287	3,210		981	2,254	3,066	3,598
2,895	4,731	7,525	11,676		3,300	6,766	9,213	10,522
795	1,085	1,782	2,670		829	1,698	2,238	2,762
229	383	494	633		216	494	219	840
1,001	1,469	2,306	3,355		1,032	2,003	2,895	3,511
1,980	3,306	5,238	8,258		2,290	4,544	6,349	7,011
89	132	211	204		128	137	183	220
1	6	39	110		5	56	73	80
2,047	3,469	5,539	8,609		2,444	4,862	6,624	7,783
1,351	1,903	2,989	4,889		1,521	2,694	3,741	4,172
345	693	904	1,264		387	931	1,140	1,528
1,736	2,604	3,887	6,082		1,906	3,657	4,978	5,550
383	794	1,130	2,357		474	1,221	1,923	2,093
(15)	(35)	(124)	(166)	(9)	(27)	(109)	(124)	(168)
75	68	42	62	1	74	46	36	70
141	104	265	516	837	82	313	223	237
6,286	8,900	10,909	16,083	6,881	8,423	9,789	10,560	9,157
472	586	1,097	1,328	549	525	1,005	1,136	1,357
607	816	992	1,216	469	730	992	1,120	1,282
1,124	1,505	2,121	2,482	507	1,283	1,840	2,231	2,505
436	772	1,213	1,440	207	597	1,031	1,163	1,542
745	926	1,115	1,459	499	861	1,103	1,170	1,213
717	884	1,195	1,790	408	875	1,184	1,212	1,110
3,117	4,093	5,732	7,376	1,669	3,570	5,292	5,906	6,609
3,431	4,846	5,485	9,358	4,869	4,637	4,752	4,965	2,855
391	522	747	993	386	509	671	672	693
$3,256	$ 4,576	$ 4,993	$ 8,507	$4,457	$ 4,509	$ 4,557	$ 4,449	$ 2,766

U.S. Lodging Industry—1982
Ratios to Total Sales

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	23.2	19.5	17.5	16.9	16.8
Other	9.9	8.5	8.0	7.8	8.3
Total	32.2	28.2	25.7	24.6	25.0
Departmental Income	67.8	71.8	74.3	75.4	75.0
Ratio to Total Sales	36.3	43.8	44.6	49.9	51.6
Food & Beverage					
Sales					
Food	71.7	71.6	69.9	69.6	73.9
Beverage	28.4	28.5	30.2	31.1	26.8
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	35.7	35.4	35.2	34.9	34.0
Beverage	23.6	22.8	21.7	21.5	21.6
Total	33.1	31.4	31.1	30.4	30.4
Gross Profit	66.9	68.6	68.9	69.7	69.6
Public Room Sales	2.7	2.6	2.4	2.8	2.9
Other Income	.5	.4	.4	.7	.2
Gross Profit & Other Income	69.3	71.1	72.3	74.1	73.0
Departmental Expenses					
Payroll & Related Expenses	48.2	43.4	41.2	41.0	40.8
Other	13.2	11.8	12.3	11.6	10.6
Total	59.8	56.7	54.5	53.2	52.4
Departmental Income	10.7	15.4	18.0	19.9	19.5
Ratio to Total Sales	3.6	4.5	5.3	5.4	4.7
Telephone Departmental Income	(1.2)	(.4)	(.4)	(.2)	(.3)
Net Income From Minor Operated Departments	.4	.3	.4	.5	.5
Rentals & Other Income	2.0	1.4	1.0	1.2	1.0
Gross Income	41.5	51.3	53.2	56.8	58.0
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	7.0	4.8	4.1	3.8	3.3
Other	5.2	5.4	4.9	4.7	4.4
Total	12.2	10.4	9.1	8.2	7.7
Marketing	6.6	5.9	4.7	4.1	2.8
Energy Costs	7.7	6.5	5.8	5.3	4.6
Property Operation & Maintenance	7.5	6.8	5.7	5.3	5.0
Total Undistributed Expenses	34.6	29.9	25.2	23.2	20.4
Income Before Management Fees	8.6	21.6	28.0	33.2	36.5
Management Fees	3.4	3.4	3.2	3.5	4.6
Income Before Fixed Charges	8.4%	19.9%	26.5%	31.9%	35.0%

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Total Sales					Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $2,500,000	$2,500,000 $4,999,999	$5,000,000 $9,999,999	$10,000,000 & Over	Restaurant Not Operated	Under 50%	50–74%	75–99%	100% & Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
19.4	17.6	17.2	16.4	20.1	17.5	17.5	17.4	19.7
8.7	7.5	8.5	8.6	9.8	7.6	8.6	8.3	9.6
28.2	25.5	25.7	25.3	29.5	25.7	26.2	25.9	30.8
71.8	74.5	74.3	74.7	70.5	74.3	73.8	74.1	69.2
52.1	47.9	42.0	42.4	63.7	52.3	42.3	37.2	29.1
71.3	69.9	71.6	71.8		71.4	70.7	70.9	71.6
30.4	30.7	28.5	28.2		29.4	29.5	29.1	28.6
100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0
36.5	36.2	34.1	31.7		35.3	33.7	35.7	36.2
24.0	22.7	21.4	20.2		21.8	21.6	22.8	23.6
32.6	31.8	30.5	28.5		31.4	30.0	31.1	32.5
67.4	68.3	69.6	71.5		68.6	70.0	69.0	67.5
2.8	3.0	3.0	2.0		3.7	2.4	2.1	1.6
1	2	6	1.0		2	7	9	8
69.4	71.2	73.0	75.2		73.0	72.5	71.7	68.7
43.4	40.9	42.4	43.0		45.5	40.3	37.5	38.0
11.6	12.5	11.9	10.8		11.5	12.5	12.2	12.0
56.1	53.7	56.9	54.0		58.7	53.2	50.7	50.0
13.7	17.9	17.8	20.8		15.1	19.5	21.8	19.2
3.6	5.0	5.9	7.2		3.4	6.8	9.0	9.1
(.2)	(.2)	(.6)	(.6)	(.1)	(.2)	(.6)	(.5)	(.7)
.7	.4	.2	.2		.5	.2	.1	.2
1.2	.6	1.3	1.8	7.5	.6	1.4	1.1	1.0
56.4	54.3	52.3	51.8	71.9	57.5	51.0	48.7	39.0
4.1	3.6	5.0	4.2	4.7	3.8	4.5	4.7	4.8
5.8	5.2	4.5	3.8	5.6	5.0	4.5	4.5	4.7
10.0	9.2	9.4	8.3	6.6	8.9	9.3	9.5	10.0
3.5	4.5	5.5	4.7	2.6	3.7	5.1	4.8	5.9
6.6	5.7	5.1	4.6	5.4	6.2	5.6	5.2	5.1
6.2	5.4	5.5	5.4	4.4	5.9	5.6	5.6	5.1
27.9	24.7	26.3	23.6	20.3	25.4	26.3	24.7	26.0
29.2	29.2	25.6	28.3	51.0	31.9	25.2	23.5	12.7
4.1	3.1	3.2	3.0	4.6	3.2	3.1	3.0	3.0
28.6%	27.7%	24.1%	26.1%	45.6%	30.5%	22.9%	20.7%	9.8%

U.S. Lodging Industry—1982
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	$12,816	$10,595	$9,556	$9,634	$12,280
Departmental Expenses					
Payroll & Related Expenses	2,195	1,918	1,699	1,714	2,232
Other	1,098	890	698	790	1,023
Total	3,160	2,881	2,446	2,557	3,324
Departmental Income	9,364	7,731	6,956	7,163	8,470
Food & Beverage					
Sales					
Food	4,797	4,242	3,141	2,627	4,463
Beverage	2,475	2,087	1,619	1,133	1,593
Total	7,018	6,347	4,896	3,581	6,141
Cost of Sales					
Food	1,747	1,502	1,087	916	1,461
Beverage	578	498	340	243	356
Total	2,270	2,022	1,580	1,154	1,833
Gross Profit	4,529	4,385	3,287	2,410	4,430
Public Room Sales	275	80	141	98	148
Other Income	79	36	9	11	22
Gross Profit & Other Income	4,791	4,529	3,391	2,475	4,575
Departmental Expenses					
Payroll & Related Expenses	2,876	2,534	1,975	1,539	2,697
Other	965	846	646	430	728
Total	3,840	3,564	2,575	2,020	3,408
Departmental Income	1,231	760	749	533	904
Telephone Departmental Income	(93)	(77)	(70)	(24)	(99)
Net Income From Minor Operated Departments	21	50	72	60	83
Rentals & Other Income	304	258	152	224	329
Gross Income	11,001	8,973	8,378	7,745	10,367
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	983	852	600	556	941
Other	1,095	886	808	759	853
Total	2,166	1,769	1,473	1,267	1,849
Marketing	1,229	902	660	630	885
Energy Costs	1,390	1,058	917	832	875
Property Operation & Maintenance	1,129	1,009	881	823	1,026
Total Undistributed Expenses	5,875	5,011	4,009	3,550	4,636
Income Before Management Fees	5,649	4,700	3,873	4,485	5,560
Management Fees	491	463	535	480	766
Income Before Fixed Charges	$ 5,523	$ 4,600	$3,521	$4,331	$ 5,420

U.S. Lodging Industry—1982 Ratios to Total Sales

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	17.8	17.4	18.5	17.4	18.3
Other	7.9	8.6	7.8	8.6	8.7
Total	26.0	26.1	26.2	26.1	26.8
Departmental Income	74.0	73.9	73.8	73.9	73.2
Ratio to Total Sales	44.2	44.3	44.8	51.6	45.1
Food & Beverage					
Sales					
Food	68.8	70.5	69.1	73.1	73.7
Beverage	31.3	29.8	31.0	28.3	26.3
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	35.5	36.6	35.2	35.8	32.9
Beverage	21.6	23.6	21.8	22.4	21.3
Total	30.9	31.7	30.7	32.0	29.8
Gross Profit	69.1	68.3	69.3	68.0	70.2
Public Room Sales	3.4	1.4	3.2	2.2	3.4
Other Income	1.0	.6	.2	.3	.4
Gross Profit & Other Income	74.1	70.2	72.3	71.5	73.4
Departmental Expenses					
Payroll & Related Expenses	41.0	39.9	42.2	42.3	45.3
Other	13.0	12.7	12.4	11.1	10.6
Total	54.0	53.6	55.4	55.2	56.8
Departmental Income	18.6	16.1	17.9	17.1	18.5
Ratio to Total Sales	5.8	4.3	5.4	3.9	5.3
Telephone Departmental Income	(.4)	(.4)	(.4)	(.2)	(.4)
Net Income From Minor Operated Departments	.1	.4	.5	.6	.4
Rentals & Other Income	1.1	1.2	.8	1.2	1.5
Gross Income	52.3	53.2	52.6	56.6	53.9
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	4.5	4.3	4.1	4.0	4.3
Other	4.3	4.7	5.4	5.1	4.7
Total	9.0	8.6	9.6	9.4	9.1
Marketing	5.1	4.9	4.4	4.4	4.0
Energy Costs	6.0	5.7	6.2	5.9	4.5
Property Operation & Maintenance	5.6	5.7	6.2	5.5	5.5
Total Undistributed Expenses	25.2	25.2	27.3	25.7	23.2
Income Before Management Fees	27.1	28.6	26.4	30.3	30.4
Management Fees	2.2	3.4	3.5	3.9	3.9
Income Before Fixed Charges	25.7%	26.6%	23.6%	29.8%	28.2%

Explanation of Terms

Administrative and general expenses

Payroll – Salaries of managing director, manager, executive assistant manager (not on floor duty), their secretaries, and other clerks in managers' offices; accounting office, front office bookkeepers, bill clerks, cashiers, night auditors, credit department, receiving clerks, employment and personnel managers.

Average room rate

Room sales from all sources, including public rooms net of all allowances divided by the total number of rooms occupied during the year. In the monthly *National Trend of Business in the Lodging Industry* we refer to the Average Room Rate as Room Sales per Occupied Room.

Cash payroll

Entire cash payroll of hotel including house laundry and print shop.

Current position

Prepaid expenses are included in current assets and current mortgage payment instalments are excluded from current liabilities.

Energy costs

Cost of electrical current, fuel, steam and water net of sales of energy to stores and others.

Income before fixed charges

For purposes of this study, income before fixed charges is defined as the total of room department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

Income from minor operated departments

Income from guest laundry, valet, cigar-newsstand, barber shop, and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers, their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc., space in newspapers and magazines, broadcasting, billboards and car cards.

Median—lower quartile—upper quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the hotels represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property operation and maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers, boilermen, firemen, ice pullers, incinerator men, storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms, cost of supplies and outside contracts for painting, repairing of fur-

niture, springs, mattresses and pillows; floor coverings; curtains, draperies and scarves; shades, screens and awnings; electrical and mechanical equipment, elevators and building; other maintenance work and all similar supplies and expenses associated with providing the hotel with heat, light, power and water.

Rentals and other income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food)—Cost of food sold, before and after deduction of the cost of employees' meals.

Cost (Beverages)—Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll—Stewards, chefs, cooks, waiters, waitresses and busboys; dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks, checkers, cashiers.

Income, Departmental—Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverages)—Gross sales of food and beverages, less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll—Assistant manager, front office clerks not including bookkeeping, cashiers and bill clerks; housekeeper and assistants; linen room maids; housemen; bellmen; elevator operators; floor clerks; pages; doormen; house officers and watchmen.

Income, Departmental—Room sales, less rooms payroll and related expenses and other direct room expenses.

Sales—Total rent income from guest and non-banquet public rooms, less allowances, not including office rentals, etc.

Sales, total

All sales and income, less allowances and cover charges.

Taxes

In calculating Number of Times Taxes Were Earned, taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or loss, Departmental—Telephone sales, less cost of telephone service, telephone payroll and related expenses, and other direct telephone expenses.

Sales—Gross revenue from use of telephone facilities by guests, less allowances; includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels*. ■

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